

Important Benefit Information About Your 403(b) Retirement Plan

You are eligible to participate in the 403(b) retirement plan sponsored by Lovejoy Independent School District. Contributing to a 403(b) plan may help give you peace of mind through financial security during your retirement. A 403(b) plan will allow you to save a portion of your compensation for retirement on a pre-tax basis (or, if permitted by your employer, on an after-tax basis to a Roth account). Participation in the 403(b) plan is completely voluntary. If you are already contributing to the 403(b) plan, now is a perfect time to increase your contributions.

What is a 403(b) plan?

A 403(b) plan, also known as a Tax-Sheltered Annuity (TSA) plan, is a tax-deferred retirement plan for employees of certain tax-exempt employers, governmental organizations or public education institutions. An employer may sponsor a 403(b) plan to provide a benefit to its employees to save for retirement on a tax-deferred basis.

What are the benefits of contributing to a 403(b) Plan?

- **Lower Taxes Today**
The 403(b) contributions you make may be on a pre-tax basis. This means that you are taxed on a lower amount of income. For example, if your federal marginal income tax rate is 25%, and if you contribute \$100 a month to a 403(b) plan, you have reduced your federal income taxes by nearly \$25. In effect, your \$100 contribution costs you only \$75. The tax savings can grow with the size of your 403(b) contribution.
- **Tax-deferred Growth**
In your 403(b) plan, interest and earnings accrue tax-deferred. This means that your interest will grow tax-free until the time of your withdrawal. The compounding interest on your 403(b) plan can allow your account to grow more quickly than saving money in a taxable account where interest and earnings are generally taxed each year.
- **Taking the Initiative**
Contributing to a 403(b) retirement plan can help you take control of your future retirement needs. Other sources of retirement income, including state pension plans and, if applicable, Social Security, often do not adequately replace a person's salary upon retirement. A 403(b) plan can be a great way to provide you with additional income at retirement.
- **Possible Tax Credits**
If you contribute to the plan, you may be able to receive a tax credit, which could reduce your overall federal income tax paid for the year.

How do I enroll in the 403(b) Plan?

Step 1. Select an investment provider with which you will invest your 403(b) contributions. A list of approved investment providers may be found by visiting the website of the plan's third-party administrator, National Benefit Services (NBS) at www.nbsbenefits.com/403b.

Step 2. Contact the investment provider directly in order to establish an account (a financial advisor may assist you with this process).

Step 3. Determine how much of your compensation you wish to defer to the 403(b) plan.

Step 4. Complete a Salary Reduction Agreement and submit it to NBS to initiate salary reductions. The Salary Reduction Agreement may be obtained from the NBS website at www.nbsbenefits.com/403b.

How much can I contribute to a 403(b) Plan?

Currently you can make elective deferrals up to \$16,500. If you will be age 50 or older sometime during the 2010 calendar year, you are eligible to contribute an additional amount that is known as an "age 50 catch-up" contribution. The age 50 catch-up contribution is an additional \$5,500. If you have at least 15 years of service with Lovejoy Independent School District, you may qualify for an additional \$3,000 catch-up amount. Please note that determining eligibility for this catch-up can be complex. Completing the Maximum Allowable Contribution Worksheet will help you determine whether or not you qualify.

How do I get more information?

To obtain additional information about participation, and about the savings products made available under the plan, please contact your payroll/human resources department.

