

Understanding Your 403(b) & Roth 403(b)

Overview

The 403(b) is a Tax-Sheltered Account (TSA) developed by the IRS to allow you to save for retirement and supplement your CalSTRS/CalPERS pension plan. On average, your pension replaces 50-65% of income in retirement.^{1,2} Currently, studies show that at a minimum, approximately 80% of income replacement is necessary to maintain the same standard of living in retirement.³ A 403(b) offers school employees a way to bridge that gap while saving for retirement.

403(b)

Taxes

Contributions are made to a 403(b) before taxes are taken from your paycheck, reducing your taxable income. Taxes are paid on withdrawals, typically in retirement when you will likely be in a lower tax bracket.

Withdrawals

You may begin to take withdrawals from a 403(b) at age 59½. Penalties may apply to withdrawals taken before this time.

Loans

A loan may be taken against Roth 403(b) funds while you are still employed. Repayment terms and interest rates are determined by your plan's vendor.

Roth 403(b)

Taxes

Contributions to a Roth 403(b) are made after taxes are taken from your paycheck, allowing your earnings to grow—and withdrawals taken—tax-free if the account has been open for at least five years and you are age 59½ or older.

Withdrawals

You may make a withdrawal from a Roth 403(b) when you reach age 59½, upon severance of employment, or in case of hardship, disability or death.

Loans

A loan may be taken against Roth 403(b) funds while you are still employed. Repayment terms and interest rates are determined by your plan's vendor.

Contribution

In 2020, you may contribute up to \$19,500 to a 403(b) and/or Roth 403(b), combined. It is possible to contribute up to \$9,500 more than the maximum if you meet the following requirements:

- Age 50+ in 2020 = an additional \$6,500
- With employer 15+ years = an additional \$3,000



Here to help you

The 403(b) administrator for your district is SchoolsFirst Plan Administration. If you have questions, or would like to open a 403(b) account, please contact:

David Archila
Retirement Plan Advisor

Phone
Cell 657-284-3519
Office 714-258-4000, x4116 Option 1

Email
darchila@schoolsfirstfcu.org

Minimum contribution
starts at \$25.00

To enroll online visit:
<http://www.nationwide.com/schoolsfirst.jsp>

Online retirement access and tools to help you Educate, Enroll and Take Control

We make it easy to stay on top of your retirement plans from wherever you are—enroll, monitor and adjust your plan. You have all the tools necessary to achieve your goals at your fingertips.



My Interactive Retirement PlannerSM

- Determine how your current account balance may translate into potential retirement income
- Utilize Social Security and pension estimators for a more comprehensive view of your potential future savings



My Health Care Estimator

- Understand your potential health care costs in retirement in less than five minutes
- Start preparing with insight into these potential expenses



Access on your terms

- Sign up for an online account to get access to all of these features 24/7
- Learn about budgeting, dollar cost averaging, special considerations and more with a library of videos, relevant articles, and tools



Professional Advice is just a phone call away

- Our advisors are available over the phone or we'll even come to your school or district office for in-person appointments
- Get support and answers to any questions you may have about your retirement savings



CALL
800.462.8328, ext. 4116
Option 1 to schedule an appointment



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Representatives are not tax advisors. For information regarding your specific tax situation, please consult a tax professional.

MK353 01/20

RE: Your 403(b)/ 457(b) Retirement Plan

Dear District Employee:

SchoolsFirst Plan Administration, LLC is the third party administrator of your 403(b) and/or 457(b) retirement plan. This letter is to inform you of the options available to help you save for retirement by participating in a 403(b) and/or 457(b) plan. These plans are designed to assist you in building and growing your savings for retirement by complimenting your pension income at retirement.

What is a 403(b) / 457(b) plan?

The IRS created retirement savings plans for various groups to encourage retirement savings by offering tax benefits. They developed the 403(b) for non-profit organizations and the 457(b) for state employees. Contributions to these plans are made directly from your paycheck before taxes are taken out – reducing your tax bill while saving for retirement.

What if I already have a 403(b)/ 457(b)?

Great News! You always have the opportunity to increase your contributions to the 403(b) and/or 457(b) plan any time during the year, contact us and we will be happy to assist you.

How much may I contribute?

You may contribute up to \$19,500 in 2020 to each plan, in addition to qualifying for additional catch-up limits. We would be happy to review these options with you in addition to answering questions you may have related to your retirement.

Get Started

If you would like to start contributions to a 403(b) and/or 457(b) plan, you must first establish an account with an approved investment provider. If you are already working with a financial advisor or agent, please feel free to continue to do so. If you do not have a financial advisor or agent, we are here to help!

Our goal as your district's third party administrator is to provide you with the very best personal service. If you have questions regarding the administration of your retirement plans, please contact **SchoolsFirst Plan Administration** at 800.462.8328, x4727 or at retirement@schoolsfirstfcu.org. If you would like to schedule an appointment to meet with an advisor, please contact our Retirement Planning Department at 800.462.8328, x 4116, Option 1.

Sincerely,



Chris Baehr
Vice President, Investment & Retirement Planning

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PO Box 11547 • Santa Ana, CA • 92711-1547
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Understanding Your 457(b)

Overview

The 457(b) is a Deferred Compensation Plan (DCP) developed by the IRS to allow you to save pre-tax dollars for retirement to supplement your CalSTRS/CalPERS pension plan. On average, your pension replaces 50-65% of income in retirement.^{1,2} Currently, studies show that at a minimum, approximately 80% of income replacement is necessary to maintain the same standard of living in retirement.³ A 457(b) offers school employees a way to bridge that gap while saving for retirement.

Taxes

Contributions are made to a 457(b) before taxes are taken from your paycheck, reducing your taxable income. Taxes are paid on withdrawals, typically in retirement when you will likely be in a lower tax bracket.

Withdrawals

You may withdraw from a 457(b) at age 59½ or when you leave your employer, or in the case of death, disability or unforeseeable emergency. Supporting documentation is required and you may be subject to penalty fees. Distributed funds cannot be rolled back into the plan.

Loans

A loan may be taken against 457(b) funds while you are still employed. Repayment terms and interest rates are determined by your plan's vendor.

Contribution Limits

In 2020, you may contribute up to \$19,500 to your 457(b). It is possible to make a catch-up contribution of up to \$19,500 more than the maximum if you meet the following requirements:

- Age 50+ = an additional \$6,500; or
- Age is within three years of Normal Retirement Age (NRA)* = up to an additional \$19,500

The Pre-Tax Savings Advantage

Based on a teacher's annual income of \$45,000

	457(b) Contribution		
	\$100/Month	\$300/Month	\$500/Month
Monthly gross income	\$3,750	\$3,750	\$3,750
Net paycheck	\$2,786	\$2,652	\$2,518
Change in your paycheck	\$67	\$201	\$335

*NRA is typically 62 or 65. Check with your plan administrator.
This is a hypothetical example used for illustrative purposes only and is not indicative of any specific investment.
The example does not reflect any fees or charges that may apply.



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A 457(b) account must be opened prior to your first contribution. A complete list of approved providers is available upon request.

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