



Make a difference with a 403(b)

Benefits of a 403(b)

Supplement your retirement income



20-30 years

Depending on your retirement age, it's not unusual to live another 20 to 30 years.



At least 80%

Many experts say you'll need about 80% of your pre-retirement income in retirement.



Fill the gaps

Social Security and any pension, if applicable, may not replace your pre-retirement income.

Contribute to a 403(b)

A 403(b) plan is an employer-sponsored tax-deferred retirement plan which may be offered to employees of public schools and tax-exempt organizations.

Tax-deferred payroll reduction

Contributions are tax-deferred through convenient payroll reductions to help you save for retirement (made before you pay income taxes and reduce your current taxable income, except for Roth contributions, which are made after tax).

Grows tax deferred

Any earnings on your contributions are tax-deferred while they are in the plan.

Employer contributions

If allowed by the employer's plan, employers can also contribute.

Distributions

Generally, you can receive a distribution from a 403(b) account upon reaching age 59½, severance from employment, disability or certain hardships (if allowed by the plan).

Taxes paid when withdrawn

Taxes are paid when you withdraw the money, normally at retirement, except for Roth distributions, which may be tax-free if certain conditions are met.*

* Earnings can be income-tax-free if you are over age 59½ and have had the Roth 403(b) for at least five years.

Paycheck comparison

In this example, if you contribute \$200 to a 403(b) plan from your gross pay, your net pay is only reduced by \$152.

	Without 403(b)	With 403(b)
Gross pay	\$1,000	\$1,000
403(b) salary reduction	\$0	\$200
Income subject to federal tax	\$1,000	\$800
Assumed federal tax rate on income	24%	24%
Net pay	\$760	\$608
After-tax difference	\$0	\$152

Additional deductions will affect actual take-home pay. This chart is for illustrative purposes only and is based on specific assumptions. This comparison doesn't allow for additional taxes being withheld.

Accessing your money

Withdrawals from a 403(b) may begin under any of the following circumstances.

- When an employee reaches age 59½
- Severance from employment
- Certain hardships (if allowed by the plan)
- Disability
- Death of the employee

How much can you contribute in 2023?

- Up to \$22,500
- Catch-up contributions, if allowed by your plan
 - An additional \$7,500 per year if you are over age 50
 - An additional \$3,000 per year if you have 15 years of service with your current employer and your average annual contribution was less than \$5,000 per year with a lifetime limit of \$15,000
 - If qualified for both, the 15 years of service catch up must be used first

These are subject to change each year.

Tax type accumulation comparisons

The calculations in this chart assume you invest for 35 years and are in the 24% tax bracket throughout those years. The after-tax withdrawal value assumes the entire account is withdrawn at the end of the 35th year. It assumes withdrawals are made in a manner to avoid any applicable additional 10% federal penalty tax on early distributions and that Roth 403(b)s are qualified for tax-free treatment.

	CDs	Non-qualified annuity	Pre-tax 403(b)	After-tax Roth 403(b)
Monthly contribution	\$200	\$200	\$200	\$200
Assumed current tax rate on contributions	24%	24%	0.00%	24%
Tax-affected contributions at beginning of each month	\$152	\$152	\$200	\$152
Assumed annual earnings rate	6%	6%	6%	6%
Assumed tax rate on earnings	24%	0.00%	0.00%	0.00%
Total contributions	\$63,840	\$63,840	\$84,000	\$63,840
Total earnings after-tax	\$90,334	\$145,964	\$192,058	\$145,964
Accumulation value	\$154,174	\$209,804	\$276,058	\$209,804
Assumed tax rate on contribution withdrawal	0.00%	0.00%	24%	0.00%
Assumed tax rate on earnings withdrawal	0.00%	24%	24%	0.00%
After-tax withdrawal value	\$154,174	\$174,773	\$209,804	\$209,804

This chart is for illustrative purposes only and does not represent the performance of any specific investment or take into account any investment charges or any other taxes.



Auto | Home | Life | Retirement

The information provided here is for general informational purposes only, and should not be considered an individualized recommendation or personalized investment, tax or legal advice.

Withdrawals from a 403(b) account are restricted by the Internal Revenue Code and may be further restricted by your employer's plan. Generally, you may make a withdrawal from a 403(b) account only upon reaching age 59½, severance from employment, disability, or certain hardships (if allowed by the plan). If you take money out before age 59½, you could be subject to a federal penalty tax of 10% in addition to income taxes.

This communication is not intended to be tax advice. You should consult your tax advisor regarding tax-advantaged products.