403(b)

Advantages of a 403(b) Plan for employees

- Employees may choose to make contributions pretax or Roth which are made after-tax.
- They pay no income taxes on contributions or earnings until they are distributed.
- Tax-deferral maximizes the compounding value and increases the participant’s ultimate retirement income.
- Pretax withdrawals are subject to ordinary income tax and, if made prior to age 59½, may be subject to a 10% IRS penalty tax.
- Roth 403(b) contributions and earnings are entirely tax-free at the time of distribution if certain requirements are met.

Contributions

- Participants can elect to contribute up to 100% of their income, up to maximum limits as determined by the IRS for each tax year.
- An additional Catch-up provision is available for those age 50 and older and additional contributions for ages 60-63
- An additional "Catch-up” option may be available for certain individuals, with at least 15 years of service.
- Salary reductions make employee deferrals/contributions convenient and easy
- Employee Traditional 403(b) pretax deferrals reduce Federal, State, and Local income taxes but are subject to Social Security (FICA) tax[1].
- Employee Roth 403(b) after tax contributions are subject to State, Federal, and Social Security (FICA) taxes.
- Employee deferrals are always 100% vested.
- All of the participant’s account balance is payable upon retirement, disability, or death, and is payable with any other severance from employment.
- Taxable distributions for reason of disability, death, or after age 55 and severance from employment avoid the IRS 10% early withdrawal penalty.
- Employees can defer any or all distributions until they are subject to IRS minimum distribution rules at the later of age 70½ or retirement.

The links below can provide you with additional information and resources about the other various options and comparisons of the different types of 403(b) plans.

403(b) Matching Plans for school districts

An Employer Matching Contribution Plan can help school districts more tightly administer their finances while giving employees more retirement-saving options. Much like a 401(k) plan, both the employer and employee contribute to the plan pretax, saving the district taxes, provides cost-savings from the salary schedule and contributes to employee retention. The school district completely controls the parameters of executing and funding a 403(b) Employer Matching Contribution Plan. Learn more and download our resource for school districts:

- 403(b) Matching Plans

403(b) Special Pay Plans for school districts

A 403(b) Special Pay Plan allows school districts to manage the costs associated with employees who leave the district with unused sick and vacation time to cash in, or employees who are eligible for an early-retirement option. A school district can designate money as an employer contribution for deposit to an employee's 403(b) account instead of contracting for payouts, helping the district avoid unforeseen expenses and taxes due on a payout. The plan also allows the employee to save tax-deferred. The school district has control on the design of the 403(b) Special Pay Plan.

- 403(b) Special Pay Plans
- Retirement Plan Comparison Chart

To learn more on how we can help you with your 403(b) plan, contact Security Benefit at 800.747.5164, option 3.

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[1]Check with your tax advisor for your state and local income tax treatment.

Related Products

- SecurePoint Retirement Program
- SFR Program
- SmartChoice Retirement Program
- Workplace Retirement Program for ERISA Plans
- Workplace Retirement Program for Non-ERISA Plans

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