



403(b) Definition

A 403(b) plan is an employer retirement savings plan where employees can make contributions from their paychecks before paying taxes. These plans are designed specifically for employees of public schools, tax-exempt organizations and certain ministers and are often referred to as TSA's (Tax-Sheltered Annuities).

403(b) Contribution Information

- 403(b) contributions must be made in a specific person's name and cannot be made to a joint account.
- Employee *Elective Deferrals* are the amount an employee decides to contribute to a 403(b) account or annuity.
- If permitted by the plan an employee who has 15 years of service may utilize the 15-year catch-up provision which allows higher maximum contribution limits.
- Employees may choose from specific investments that are offered under the plan.
- If 403(b) contributions in any given year exceed the annual limit, the overage is not part of the 403(b) and is included in your taxable income.
- Employer *Non-Elective Contributions* are the amount an employer decides to contribute for the employee's benefit. Employers may match the employee's contributions up to a certain percentage.
- Employer contributions may be subject to a vesting schedule. A vesting schedule covers the period necessary for an employee to receive the entire company contribution. If employment terminates before the period ends, the company may not be required to pay 100% of the company non-elective and matching contribution.

2021 403(b) Retirement Plans

Annual Contribution Limit Under Age 50	\$19,500
Annual Maximum Employer/Employee Contribution Limit Under Age 50	\$58,000
Annual Contribution Limit Age 50 or Older	\$26,000
Annual Maximum Employer/Employee Contribution Limit Age 50 or Older	\$64,500

403(b) Tax Information

- Contributions to your 403(b) are **not** subject to federal income tax until withdrawn.
- Generally, employees must pay social security and Medicare tax on their contributions to a 403(b) plan.
- Contributions to your 403(b) **are** reported on Form W-2, or your Wage and Tax statement.
- In most 403(b) plans, you must begin taking Required Minimum Distributions starting at the later of age 72 or the termination of employment.

Withdrawal & Distribution Information

- Withdrawals or distributions, including interest earnings, are generally considered **taxable** income when taken.
- Some 403(b) plans provide the option to borrow money from the plan in the form of loans. The loans are **not** taxable if they meet specific criteria. For further details please contact your plan administrator.
- Generally, account distributions **cannot** be made until one of the following occurs:
 - You pass away, become disabled, or otherwise have a severance from employment.
 - The plan terminates, and no new plan is established or maintained by the employer.
 - You reach age 59½ or incur a financial hardship (if the plan document provides for hardship distributions).
- Withdrawals taken before 59 ½ **may** be subject to a 10% federal additional tax.
- For further details go to www.irs.gov.

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