

Taking Advantage Of A Roth 403(b)

What is a Roth 403(b)?

Roth 403(b) allows participants to make after-tax contributions and provides the potential for tax-free distributions.

Who is eligible?

Anyone who is eligible for a traditional 403(b). There is no income limit like there is for a Roth IRA.

Why offer it?

Offering your employees the opportunity to save for retirement on a pre-tax and post-tax basis gives them more options to fit their retirement planning goals.

What are the contribution limits?

For 2020, the combined limit for a traditional 403(b) and Roth 403(b) is \$19,500. This limit is coordinated with the limit on other elective salary-reduction contributions.

Can a participant use catch-up contributions?

Yes. The age 50+ and the years of service catch-up rules also apply to the Roth 403(b) contribution limits.

How does a Roth contribution work?

A participant will need to designate contributions as Roth contributions before they are made. The participant must complete a separate order ticket and salary reduction agreement indicating that the contribution is to be made on an after-tax basis. Participants may also convert existing 403(b) assets into a Roth 403(b) if permitted by the plan.

Traditional 403(b) and Roth 403(b) funds must be kept separate. Great American Insurance Group member companies, Annuity Investors

Life Insurance Company® and Great American Life Insurance Company®, will issue a separate contract for a participant's Roth 403(b) contributions, and will report Roth 403(b) contributions and earnings separately on the participant's quarterly statements.

When are tax-free distributions allowed?

Contributions can be distributed tax-free at any time. Earnings are tax-free if they are distributed after age 59½, or due to death or disability, provided that they are distributed at least five years after the participant first began making Roth 403(b) contributions. Taxable withdrawals before age 59½ are generally subject to income tax and a 10% federal tax penalty.

Can participants contribute to both a Roth IRA and contribute to a Roth 403(b) through their plan?

Yes. If eligible, participants can still take advantage of a separate Roth IRA.

How do we administer a Roth 403(b)?

- Make the Roth 403(b) option available in your plan documentation and communicate it to your employees.
- Withhold taxes on amounts contributed.
- When you send in contributions, you must designate which are pre-tax traditional contributions and which are after-tax Roth contributions.
- Report Roth contributions on W2s as an employee after-tax contribution.

See reverse side for more information.



It pays to keep things simple.®

How does a Roth 403(b) compare to a traditional 403(b) and a Roth IRA?

	Traditional 403(b)	Roth 403(b)	Roth IRA
Contributions deducted	Pre-tax	After-tax	After-tax
2020 limits	Total traditional employee contributions limited to \$19,500; plus \$3,000 for 15-year catch up; plus \$6,500 for age 50+ catch up;* reduced by any Roth 403(b) contributions	Total Roth 403(b) employee contributions limited to \$19,500; plus \$3,000 for 15-year catch up; plus \$6,500 for age 50+ catch up;* reduced by any traditional 403(b) contributions	\$6,000; plus \$1,000 for age 50+ catch up
Income eligibility	No income limit	No income limit	If filing single or head of household, AGI must be less than \$139,000. If married filing jointly, combined AGI must be less than \$206,000. If married filing separately, AGI must be less than \$10,000
Contributions taxable upon distribution	Yes	No	No
Earnings taxable upon distribution	Yes	No (if qualifying)	No (if qualifying)
Employer matching available	Yes	Yes (on pre-tax basis)	No
Subject to required minimum distributions	Yes	Yes	No

*These limits are coordinated with elective salary-reduction contributions to 401(k) plans, SIMPLE IRAs and SAR-SEP IRAs.

For questions or assistance adding the Roth 403(b) option to your plan, contact your independent financial professional or our Direct Connect team at 800-438-3398, ext. 17197.

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Tax deferral in a qualified plan is provided by the plan and an annuity offers no additional tax deferral.

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