Uncomplicate Retirement®

Offering a 403(b) Plan

Developing your future

As an organizational leader, you know the importance of strategic planning. You may spend months working on a plan for your organization. Have you spent the same time planning for your own future? Do your employees have the opportunity to plan for theirs?

A 403(b) plan from the member companies of Great American Insurance Group® (Annuity Investors Life Insurance Company® and Great American Life Insurance Company®) can make all the difference as you look toward your organization's future.

What is a 403(b) plan?

It's a great benefit to both your employees and you! A 403(b) plan is a tax-deferred plan that can be set up for any public school, university, college or non-profit 501(c)(3) organization. Generally, any employee may participate as a way to invest for retirement.

A 403(b) plan benefits more than just your employees…

It benefits your organization.

- Help reward and retain loyal employees while attracting new, well-qualified ones.
- Maintain a positive work environment and enhance your reputation as a progressive, caring organization, with little cost to you.

It benefits you in your goal to prepare for your own retirement.

- You will have a high-quality plan to build a supplementary retirement income while saving on taxes today.
- You have the ability to choose from a wide variety of investment options to fit your goals.

How does a 403(b) plan work?

Contributions

You and your employees can contribute money on a pre-tax basis. This means you can afford to contribute more than if you put money aside after taxes were deducted. And, unlike a taxable investment, earnings on the account compound tax free until the money is withdrawn. Then both contributions and earnings will be treated as taxable income. A pre-tax contribution of up to $19,500 may be made in 2020. For those 50 and older, a catch-up contribution of $6,500 may be made. Additional catch-up contributions may be made by those with at least 15 years of service with a qualified employer. These limits may increase in future years.

You may be able to contribute to a 457(b) Governmental plan as well, and double your contributions. For example, in 2020, the maximum contribution to a 457(b) Governmental plan is normally $19,500. That can be combined with the 403(b) plan normal contribution limit of $19,500 for a total of $39,000 invested tax deferred. Catch-up contributions can increase this combined limit even more.

Employer match

You may choose to have a plan available for just your employees to easily contribute money for their retirement.

Or, you can go a step further and offer additional contributions where you match all or a part of employee contributions. The plan does not require an employer match, but it's a great way to encourage participation and is a powerful tool in attracting and retaining employees. If you choose to make matching contributions, they do not count toward the 403(b) plan limits on employee contributions.

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Roth option

You may choose to offer a Roth 403(b) option. Under a Roth option, employee contributions are made on an after tax basis. However, a distribution from a Roth 403(b) TSA account is completely free of federal income tax if it meets both of the following requirements:

- It is made after the end of the five year period that begins with the year that the employee made his or her first Roth 403(b) TSA contribution to your plan; and
- It is made after the employee reaches age 59½, becomes disabled or dies.

Access to account balances

You can select a time period for employees to become fully vested in the employer-matching portion of the 403(b) plan. Note that employee contributions are always 100% vested.

Distributions can be made only when a participant severs employment, reaches age 59½, becomes permanently disabled or experiences financial hardship, or is a reservist called to active duty for 180 days or more or for an indefinite period. The employer plan may impose additional restrictions.

Unless the distributions are rolled over to an eligible retirement plan, they will be taxed as ordinary income. Distributions before age 59½ may also be subject to an IRS 10% penalty tax. Distributions attributable to employer contributions are only allowed on severance of employment or occurrence of another event as provided by the plan.