

# THE UNIVERSITY OF IOWA

## The Roth 403(b) Option

### What is the Roth 403(b) option?

University of Iowa employees can currently elect to participate in a Voluntary Retirement Savings Program (VRSP) by contributing pre-tax salary dollars to a 403(b) plan. Contributions and earnings grow over their career and are taxed when withdrawn from the plan at a later date.

The Roth 403(b) feature allows participants to contribute after-tax salary dollars, rather than pre-tax dollars. Contributions and earnings grow and are not taxed when withdrawn from the plan (subject to certain restrictions).

This allows you to:

- \* Designate elective deferrals as after-tax Roth contributions to your plan
- \* Enjoy tax-free distributions, provided distribution is made five years after Roth contributions were first made to plan **and**
  - you are age 59-1/2 or older
  - or
  - distribution is made on account of your disability or death (distributions may be subject to plan provisions)
- \* Receive tax-deferred growth on any earnings (if the tax-free distribution conditions are not met)
- \* Transfer your retirement assets income tax free to your beneficiaries
- \* Potentially reduce the taxability of Social Security income benefits

Your Roth after-tax contributions are included in your maximum contribution limits, plus any catch-up limits, if applicable. Your plan's Roth 403(b) option offers the same benefits, rights and features that you currently have in your retirement plan, including investment choices. Your contributions and any accumulations you have are tracked separately to ensure that they are not co-mingled with any pre-tax or employer contributions you may have.

### Is the Roth feature right for me?

The Roth option may be attractive to:

- younger savers in lower tax brackets
- savers who currently have Roth individual retirement accounts who desire additional after-tax savings growth
- savers wishing to maximize flexibility when drawing on retirement savings in the future
- highly compensated employees
- savers wishing to diversify the potential taxes in the future

Everyone's tax situation is different. You should educate yourself regarding your options.

### **How can I get more information?**

Contact your personal tax professional or accountant.

Check the web or the library.

Watch for additional information and notices from TIAA-CREF and the University Benefits Office.

### **How do I sign up for the Roth 403(b) option?**

Contact the company you are interested in opening a Roth 403(b) account with and verify they offer the Roth option. Then simply follow the instructions in the VRSP enrollment section of the Benefits Office website.