



Discover the 403(b)

This retirement plan allows teachers & employees of non-profits to invest for their futures.

Does your spouse contribute to a 401(k)? You are probably eligible for a retirement plan that can help you save and invest for retirement in the same way – a 403(b).

403(b) plans actually predate 401(k)s. They first appeared in the 1950s. School districts and non-profit organizations commonly offer these retirement savings vehicles to their employees.¹

Contributions to most 403(b)s are 100% tax deductible. Typically, you just defer a small percentage of your salary into these plans per paycheck, prior to taxes being withheld. You can set the recurring contribution amount, and you can decide how you want the money you contribute to be invested.²

403(b)s feature tax-deferred growth. That is, the money invested inside the account has the chance to grow year after year without being taxed. Typically, that money is only taxed when it is withdrawn from the plan. This yearly tax deferral may really help those invested assets grow and compound.²

If you contribute \$5,000 a year to a 403(b) starting at age 30 and the account returns 8% a year, you could end up with \$429,014 by age 55. If you put \$10,000 a year in your 403(b) beginning at age 30, the math says you could have \$858,029 at age 55 at an 8% return. Think how all that money could help you out in retirement.³

You can contribute up to \$19,000 to a 403(b) in 2019. In fact, you can contribute up to \$25,000 if you are 50 or older, because the I.R.S. permits additional \$6,000 “catch-up” contributions to 403(b)s once plan participants reach that age.²

Your 403(b) plan may even offer a Roth option. As with a Roth IRA, contributions to a Roth 403(b) are made with after-tax dollars. As a result, contributions to a Roth 403(b) are not tax deductible. The trade-off? You have the potential for tax-free withdrawals in retirement so long as you follow I.R.S. rules.²

Can my employer match my contributions? Possibly. If you do receive a match, it will usually equal 50% or 100% of your contribution, up to a certain dollar amount.²

Saving and investing for retirement should be on every teacher’s to-do list. The 403(b) gives you an option to do just that, conveniently and consistently. If you aren’t yet saving for the future this way, now is the best time to start.

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Citations.

1 - edelmanfinancial.com/education-center/articles/be-careful-which-investments-you-put-into-your-403b-plan [9/4/18]

2 - thetreet.com/personal-finance/what-is-a-403-b-plan-14671670 [8/10/18]

3 - bankrate.com/calculators/savings/compound-savings-calculator-tool.aspx [9/4/18]