



# RPB's Roth 403(b)

*Pay income taxes now, enjoy tax-free income in retirement.*

At RPB, we believe in giving you flexibility and control over how you plan for retirement. That's why, in addition to making traditional pre-tax 403(b) contributions, you also have the option to build your retirement savings with after-tax Roth contributions.

Making **Roth** contributions can be an effective retirement savings strategy, because it provides several advantages:



**A POWERFUL ESTATE PLANNING TOOL**



**SAVINGS FLEXIBILITY**



**TAX-FREE INCOME IN RETIREMENT**

#### **WHEN YOU MAKE ROTH CONTRIBUTIONS:**

- Your elective deferral contributions are made after you pay taxes on the money.
- Your contributions and earnings are distributed tax-free (including to beneficiaries).\*
- You have higher annual contribution limits than with a Roth IRA.
- Your annual income doesn't limit your ability to participate, unlike with a Roth IRA.

\* As long as you've owned your account for five tax years and you're at least age 59½ (or due to disability or death)

# It's a matter of taxes and limits.

The difference between our traditional 403(b) pre-tax contributions, our Roth 403(b) post-tax contributions, and a Roth IRA lies in how (and when) your money is taxed, as well as the IRS limits placed on your annual income and elective deferral contributions. Use the chart below to compare the benefits and features of each type of contribution.

**Note:** As an RPB participant, you elect how much of your salary you wish to make on a pre-tax and post-tax basis. Employer contributions are made on a pre-tax basis. Only your elective salary deferrals can be used to make Roth post-tax contributions. Clergy should consider their housing allowance exclusion, as applicable, before electing to make Roth contributions.

	RPB 403(b) Pre-Tax Contributions	RPB 403(b) Roth Post-Tax Contributions	Roth IRA
No income restrictions to participate	✓	✓	Max. income: \$199,000 married \$135,000 single
Elective contributions	Made with pre-tax money	Made with money that has already been taxed	Made with money that has already been taxed
2019 IRS elective contribution limits	Combined <sup>1</sup> \$19,000 \$25,000 if age 50+	Combined <sup>1</sup> \$19,000 \$25,000 if age 50+	\$6,000 \$7,000 if age 50+
Tax savings	In the year your contributions are made	In the year your earnings are distributed	In the year your earnings are distributed
Distributions	Contributions and earnings taxable upon withdrawal; 10% penalty before age 59½ <sup>2</sup>	Contributions and earnings tax-free upon withdrawal for qualified distributions <sup>3</sup>	Same as Roth 403(b) and can have a qualified distribution for first-time home purchase
Hardship withdrawals (under 59½ and still working)	Tax and 10% penalty on contributions and earnings	Tax and 10% penalty on earnings if non-qualified distribution <sup>4</sup>	Tax and 10% penalty on earnings if withdrawn before age 59½
Required Minimum Distributions at age 70½ (unless still working)	✓	✓	
Loans	✓	✓	✓
Tax-free money to heirs <sup>5</sup>		✓	✓

<sup>1</sup> You can make elective deferrals on both a Roth and pre-tax basis, but the combined contributions can't exceed IRS limits.

<sup>2</sup> Clergy parsonage tax exclusion may apply. If you're no longer working for an RPB-eligible employer during or after the year you reach age 55, there is no 10% penalty.

<sup>3</sup> **Qualified distributions:** The contribution portion is not taxed again because it was made with after-tax dollars. The earnings portion can be withdrawn tax-free as long as you've owned your account for five tax years and you're at least age 59½ (or due to disability or death). A tax year begins on January 1 of the year that you made your first Roth contribution.

<sup>4</sup> **Non-qualified distributions:** A 10% penalty and income taxes are due on your earnings if withdrawn before the five-year holding period and before age 59½ (except in the case of permanent disability or death). If you separate from service during or after the year you reach age 55, there is no 10% penalty on earnings portion of early withdrawals.

<sup>5</sup> Earnings can be withdrawn tax-free as long as the account was owned for five years from the date it was established.

With Roth contributions, you forego the tax break today for one in retirement. But it's important to figure out what combination of Roth and traditional 403(b) contributions make the most sense for your situation.

#### OUR ROTH OPTION MAY BE RIGHT FOR YOU IF:

- You're in the early stages of your career and pay taxes at a lower rate.
- You expect to be in a higher tax bracket when you retire.
- You earn too much to contribute to a Roth IRA (\$199K married or \$135K single), but you want a pool of tax-free money to withdraw in retirement.
- You want to make Roth contributions greater than the Roth IRA contribution limit for 2019 (\$6,000, or \$7,000 if 50 or older).
- You want to leave a sum of tax-free money to your heirs.

#### BUILD YOUR ROTH AND TRADITIONAL SAVINGS TOGETHER IN A SINGLE PLAN

1. Ask your employer if they offer our Roth option. If not, ask them to set it up for you. (RPB's Roth option is available to all Reform Movement employers participating in our plan. However, they're not required to offer it to participants.)
2. Discuss Roth and traditional 403(b) contributions with your tax advisor to determine which one, or combination of both, is right for you.
3. Complete the Salary Reduction Agreement form with your contribution elections and submit it to your employer. Find it at [rpb.org/forms](http://rpb.org/forms).
4. Roll balances from other Roth plans into your RPB 403(b) account.

#### FINANCIAL COUNSELING

RPB has partnered with LifeWorks to provide our participants and their partners with services like retirement planning, budgeting, and debt management. Call 800-533-5690 to set up an appointment with a professional financial counselor.

[Learn more at rpb.org/roth](http://rpb.org/roth)

#### Questions?

**Please don't hesitate to contact us.**

[askus@rpb.org](mailto:askus@rpb.org)

[rpb.org](http://rpb.org)

212-681-1818

Disclaimer: This information is intended to be educational and is not specific to any individual investor. A Roth 403(b) distribution is federally tax-free and penalty-free, provided the five-year holding period has been satisfied and one of the following conditions is met: age 59½, disability, or death. State taxes may apply. Elective 403(b) contributions on both a pre-tax and Roth post-tax basis are subject to the annual IRS dollar limit under Section 402(g) of the Internal Revenue Code, plus allowable catch-up contributions.