Texas State University
Tax Deferred Account – 403(b)
01.2020

Contributing to a Tax Deferred Account can significantly reduce your taxes and help you save for retirement. Contributions are conveniently deducted from your paycheck. This program is voluntary and in addition to the required retirement program. The TDA Program is subject to all applicable provisions of Sections 403(b)(1), 403(b)(7), and 415 of the U.S. Internal Revenue Code, as amended. See IRS Publication 571 for more details.

Roth vs. Traditional

You may contribute to a TDA with pre-tax (“Traditional”) or post-tax (“Roth”) payroll deductions. Depending on your personal financial situation, it may be beneficial for you to choose one contribution strategy over the other. For additional information, please consult your investment or financial advisor.

- Pre-tax contributions lower your current tax liability. And, by deferring the payment of taxes on TDA contributions until the money is withdrawn (usually at retirement when you may be in a lower tax bracket) you are likely to pay less tax on your earnings.
- Post-tax contributions offer you the potential for tax-free retirement income later by investing on an after-tax basis now. You pay your taxes up front at your current tax rate rather than later at whatever your tax rate would be when you retire.

Contributions

You can start and stop your contributions at any time. You can contribute as little as $25 per pay period or as much as 100% of your eligible compensation up to $19,500 for 2020 (Traditional and Roth combined). There are also two catch-up provisions:

- **Age 50 Catch-up:** If you are age 50 or older, you may contribute an additional $6,500.
- **15 Years of Service Catch-up:** If you have 15 years of service with Texas State University and your previous deferrals have averaged less than $5,000 per year, you may defer an additional $3,000. The additional deferral may not exceed a lifetime maximum of $15,000. Eligibility for the amount you can contribute under this catch-up provision must be reviewed by the HR Benefits Office.

Texa$aver 457 Plan contributions do not affect the total amount you are eligible to defer under a TDA. Also, social security benefits are not affected by participation in a TDA.

Enrollment

- Contact the Benefits Office and request a calculation of your contribution limit.
- Review and select a provider from the list of authorized providers. You may select more than one provider for your participation.
- Complete an account application with the provider you have selected.
- Complete a Texas State University Tax Deferred Account Salary Reduction Agreement to start, stop or change your contributions. This is generally due by 10th of the month to be effective the 1st of that month.
- Complete a Texas State University Change of Carrier form to change your carrier for future contributions.
- Complete a Texas State University Capital Transfer form to rollover contributions to a new carrier.

TEXAS STATE HUMAN RESOURCES

2020 Plan Information

01.2020

	Traditional 403 (b)	Roth 403 (b)	Roth IRA
Eligibility	Any employee expected to work 1,000 hours or more in a calendar year excluding non-resident aliens and student employees.	Any employee expected to work 1,000 hours or more in a calendar year excluding non-resident aliens and student employees.	If filing status is single or head-of-household, AGI must not be more than $124,000. If filing status is married filing jointly, combined AGI must not be more than $196,000. If married filing separately, AGI must not be more than $10,000.
2020 Contribution Limits	$19,500, plus up to $3,000 under the 15- year catch-up, plus $6,500 if age 50+.	$19,500, plus up to $3,000 under the 15-year catch-up, plus $6,500 if age 50+.	$6,000, plus $1,000 if age 50+.
Tax-Free Qualified Distribution*	Not available. All distributions are taxed as ordinary income.	If the following criteria are met: 5 year holding period and distribution due to: -Attainment of age 59½ -Disability -Death	If the following criteria are met: 5 year holding period and distribution due to: -Attainment of age 59 ½ -Disability -Death -Certain first-time home purchase
Distributions Permitted (may be subject to taxation if the distribution is not a Qualified Distribution)	-Age 59 ½ -Death -Disability -Separation from service -Financial hardship	-Age 59 ½ -Death -Disability -Separation from service -Financial hardship	At any time (no restrictions apply).
Internal Revenue Service 10% Premature Distribution Penalty Tax	Applicable to all amounts distributed prior to age 59 1/2, unless an exception applies.	Applicable to earnings distributed prior to age 59 ½, unless an exception applies.	Applicable to earnings distributed prior to age 59 ½, unless an exception applies.
Loan Availability	Yes, if offered by vendor	Yes, if offered by vendor	No
Required Minimum Distribution	Yes	Yes	No, during owner's lifetime

* Note that distribution from the Roth 403 (b) and Roth IRA are subject to taxation on the portion attributable to the earnings if made before Qualified Distribution provisions are satisfied.