

# Understanding Your 403(b) & Roth 403(b)

## Overview

The 403(b) and Roth 403(b) are retirement plans designed for school employees to supplement their CalSTRS/CalPERS pension plan. On average, your pension replaces 50% to 60% of income in retirement.<sup>1</sup> Studies show at a minimum, you'll need approximately 80% income replacement to maintain the same standard of living in retirement.<sup>2</sup> A 403(b) and Roth 403(b) offer school employees a way to bridge that gap while saving for retirement.

## 403(b)

### Taxes

Contributions are made to a 403(b) before taxes are taken from your paycheck, reducing your taxable income. Taxes are paid on withdrawals, typically in retirement when you'll likely be in a lower tax bracket.

### Withdrawals

You may begin to take withdrawals from a 403(b) at age 59½. Penalties may apply to withdrawals taken before this time.

### Loans

A loan may be taken against 403(b) funds while you're still employed. Repayment terms and interest rates are determined by your plan's vendor.

## Roth 403(b)

### Taxes

Contributions to a Roth 403(b) are made after taxes are taken from your paycheck, allowing your earnings to grow — and withdrawals taken — tax-free if the account has been open for at least five years and you're age 59½ or older.

### Withdrawals

You may make a withdrawal from a Roth 403(b) when you reach age 59½, upon severance of employment or in case of hardship, disability or death.

### Loans

A loan may be taken against Roth 403(b) funds while you're still employed. Repayment terms and interest rates are determined by your plan's vendor.

## Contribution

In 2023, you may contribute up to \$22,500 to a 403(b) and/or Roth 403(b), combined. It's possible to contribute more than the maximum if you meet the following requirements in 2023:

- Age 50+ = an additional \$7,500.
- With employer 15+ years = an additional \$3,000.

## Here to help you

If you have questions, or would like to open a 403(b) account, please contact:

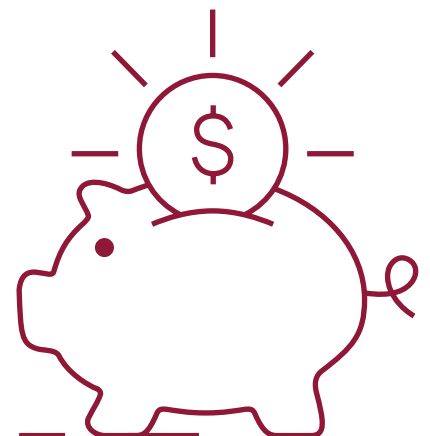
Kevin Tran

Financial Advisor

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Scan Below to schedule appointment:



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- Learn about budgeting, dollar-cost averaging, special considerations and more from our video library, relevant articles and tools.



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- Get support and answers to any questions you may have about your retirement savings.



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1. California State Teachers' Retirement System Member Handbook, 2023. 2. "How much will you spend in retirement?" Fidelity.com, 2022.

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