



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 contributing to our traditional pre-tax 403(b) account, you also have the option to build your retirement savings with an after-tax **Roth 403(b)** account.

Contributing to a **Roth 403(b)** 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 CONTRIBUTE TO A ROTH 403(B):

- 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), our Roth 403(b), 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 account.

Note: As an RPB participant, you elect how much of your salary you wish to contribute to your traditional 403(b) account, Roth 403(b) account, or both. Only your elective deferral contributions can be made to a Roth account. Employer contributions are made to a pre-tax account. Clergy should consider their housing allowance exclusion, as applicable, before electing to make Roth contributions.

	RPB's Traditional 403(b)	RPB's Roth 403(b)	Roth IRA
No income restrictions to participate	✓	✓	Max. income: \$206,000 married \$139,000 single
Elective contributions	Made with pre-tax money	Made with money that has already been taxed	Made with money that has already been taxed
2020 IRS elective contribution limits	Combined ¹ \$19,500 \$26,000 if age 50+	Combined ¹ \$19,500 \$26,000 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 ²	Contributions and earnings tax-free upon withdrawal for qualified distributions ³	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 ⁴	Tax and 10% penalty on earnings if withdrawn before age 59½
Required Minimum Distributions at age 72 (unless still working)	✓	✓	
Loans	✓	✓	✓
Tax-free money to heirs ⁵		✓	✓

¹ You can make elective deferrals to both your Roth and pre-tax accounts, but the combined contributions can't exceed IRS limits.

² 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.

³ **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.

⁴ **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.

⁵ Earnings can be withdrawn tax-free as long as the account was owned for five years from the date it was established.

With a Roth account, 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 403(B) 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 (\$206K married or \$139K 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 2020 (\$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) options with your personal 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.
4. Roll balances from other Roth plans into your RPB Roth account.

Learn more at rpb.org/roth

Questions?

Please don't hesitate to contact us.

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rpb.org

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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 contributions to both pre-tax and Roth 403(b) accounts are subject to the annual IRS dollar limit under Section 402(g) of the Internal Revenue Code, plus allowable catch-up contributions.