

# The Roth contribution option: Another way to save for retirement

The University of Massachusetts is introducing a Roth contribution option in the University of Massachusetts 403(b) Elective Deferral Savings Plan beginning in April 2018. It's yet another option you can use to save for your financial future.

## What is a Roth contribution option?

In the University of Massachusetts 403(b) Elective Deferral Savings Plan, your pretax contributions have the potential to accumulate tax deferred, and withdrawals are taxable.<sup>1</sup> With the Roth option, your after-tax contributions have the potential to accumulate tax free. Withdrawals after age 59½ are tax free if distribution is no earlier than five years after contributions were first made. These tax benefits are similar to a Roth IRA. Additionally, Roth contributions allow higher contribution limits than a Roth IRA.

### Many consider a Roth if they:

Are not eligible to make Roth IRA contributions because of high income

### Features of the Roth:

The Roth option does not have adjusted gross income (AGI) limits.

Would like to make Roth contributions greater than the Roth IRA limit

In 2018, the contribution limit for a 403(b) account (\$18,500) is higher than the limit for a Roth IRA (\$5,500), letting you increase your after-tax retirement savings.

Feel confident their retirement income needs are met and want to leave a potential tax-free legacy

Contribution limits are higher than those of the Roth IRA, allowing you to maximize your after-tax retirement savings.

Would like to help protect retirement assets from potential tax consequences

Assets may be passed along to your beneficiaries income tax free.  
Having both pretax and after-tax assets in retirement accounts may provide a hedge against the uncertainty of future tax rates.

Are just starting out and in a lower tax bracket work

The earlier you start, the more time you give your money to grow for you. Also, withdrawals from a Roth are typically tax free.\*

\* Withdrawals of earnings prior to age 59½ are subject to ordinary income tax and a 10% penalty may apply. Earnings can be distributed tax free if distribution is no earlier than five years after contributions were first made and you meet at least one of the following conditions: age 59½ or older or permanently disabled. Beneficiaries may receive a distribution in the event of your death. For governmental 457(b) plans, withdrawals are only allowed following separation from service or when you reach age 70½.

**Is the University of Massachusetts 403(b) Elective Deferral Savings Plan Roth contribution option right for you?**

While it's difficult to predict what your future tax situation may be, you'll want to estimate as best as you can, taking into consideration the best choice for your current tax circumstances and how they may change over time. You may want to consult your tax advisor.

**Many who expect their tax rate during retirement will be:**

**May opt for:**

Higher than their current rate paid taxes

After-tax Roth contribution option. Since they have already on the contributions, withdrawals are tax free.

Lower than the current rate expect to

Pre-tax contribution option. While this money is taxable, they benefit by being in a lower tax bracket during retirement.

Same as their current rate

Either or both

Note: Roth contributions are included in your maximum contribution limits, plus any catch-up limits, if applicable.

**Getting started**

Enrolling in the University of Massachusetts 403(b) Elective Deferral Savings Plan Roth contribution option is easy, should you choose. Simply update your current contribution elections at [www.netbenefits.com/umass](http://www.netbenefits.com/umass).