

# 403(b) Newsletter



FIRST FINANCIAL ADMINISTRATORS, INC | 2019 - 2020

## Reasons to Consider a 403(b) Plan

A 403(b) plan is a type of tax-sheltered retirement plan for the employees of nonprofit entities, such as schools, charities, and religious organizations. It has much in common with the more widely recognized 401(k) plan, but with some key differences. If you are eligible to participate in a 403(b) plan at work, you'll find it has numerous benefits.

- 1. Tax-Deductible Contributions.** Contributions to a traditional 403(b) plan are deductible for federal income tax purposes. In effect, the money comes out of your salary and goes into the 403(b) plan without your having to pay any taxes on it. The tax deduction is valuable because it reduces the amount of income tax an individual owes.
- 2. Taxes Waived Until Retirement.** If you make pretax contributions to a traditional 403(b) plan, you won't have to pay taxes on that money, or its investment earnings over the years, until you take distributions in retirement. The good news is that most people are in a lower tax bracket after they retire.
- 3. Possible 403(b) Roth Option.** Since 2006, employers have had the option to allow Roth contributions to 403(b) plans. Unlike a traditional 403(b), contributions to a Roth 403(b) are not eligible for a tax deduction. However, when you make withdrawals from the Roth portion of your plan, those withdrawals are not taxable. Not all 403(b) plans have a Roth option, but if yours does, it's worth considering. Visit [www.ffga.com](http://www.ffga.com) to verify if your plan offers the Roth option.
- 4. Tax-Free Growth.** A huge advantage of a 403(b) plan, as with a 401(k), is that you don't have to pay taxes on the dividends, interest, or capital gains your investments earn until you eventually take out that money. (With a Roth 403(b) account, you won't even be taxed then.) By contrast, if you hold your retirement investments in taxable accounts, you'll be taxed on their earnings every year.

Since you don't have to worry about tax effects in your 403(b), you can rebalance your portfolio more often without losing anything except possible trading fees. You also don't have to worry about the tax efficiency of any mutual funds you hold, so you can focus on funds with high returns and low expenses.

**5. Loan Provisions.** Depending on the rules of your 403(b) plan, you may be entitled to take a loan from your account. This can be helpful in certain situations, such as buying a home. However, many financial advisors caution against borrowing because it leaves less money in the 403(b) plan invested for your retirement.

**6. Access to Low-Cost Funds.** Because a 403(b) plan may control many millions of dollars in assets, it can often get you a better deal on your investments than you could get on your own. To entice big clients like retirement plans, financial institutions sometimes waive their high minimum investment requirements so that employees can invest in "institutional" funds with extremely low expenses.

**7. Higher Contribution Limits.** A 403(b) plan also allows you to set aside more money each year than some other types of retirement accounts. As an employee, you can put up to \$19,000 into a 403(b) in 2019. If you're 50 or older, you may be eligible to make an additional catch-up contribution of up to \$6,000, for a total of \$25,000. By contrast, the limit on IRAs in 2019 is \$6,000, plus a \$1,000 catch-up contribution, for a maximum of \$7,000.

**The Bottom Line** As you can see, there are many things to like about 403(b) plans. Still another plus comes from making regular, automatic contributions. "One of the features of a workplace retirement plan like a 403(b) is the way it invests a set dollar amount determined by the employee, regardless of whether the market is up or down.

The right financial advisor can help you reach your long-term financial goals. Visit [www.ffga.com](http://www.ffga.com) to view the authorized investment companies as well as financial advisors in your area.

Please call First Financial Administrators, Inc. for additional information regarding your employer's plan.

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Retirement Services Department

# Universal Availability Notice

*First Financial Group of America*

## **Act Now to Maximize Your 403(b) Contributions**

In compliance with the requirements of IRC §403(b)(12)(A)(ii) this Notice will advise you of the voluntary 403(b) Program established and maintained for the benefit of all employees.

Now is the time to act if you wish to maximize your pre-tax contributions to the 403(b) Plans or make changes for this calendar (taxable) year. Go to [www.ffga.com](http://www.ffga.com) to view your employers' retirement plan options and availability.

**Eligibility** - All employees who are employed by the Employer, including full and part-time employees.

**Contributions** - When you enroll in the program, the amounts you designate as salary deferrals are withheld from your wages and forwarded to an investment provider of your choice. Several types of contributions may be available in your plan:

**Pre-Tax Salary Deferrals:** These are amounts contributed into a 403(b) Plan that are deferred from your paycheck before federal income taxes are applied.

**Roth Salary Deferrals:** (If your plan allows) These amounts are also deferred from your paycheck, but are subject to federal income taxes. When you withdraw monies from a Roth plan the funds may be excluded from taxation. Special rules apply to Roth contributions and you should contact your tax advisor before electing this option.

For 2019, you may defer from your wages, a maximum of \$19,000 to all 403(b) plans unless you will reach 50 years of age during the year. In that case, you would be eligible to contribute an additional \$6,000. Deferrals may not exceed 100% of your wages.

**Rollovers:** (If your plan allows) You may also rollover funds from another employer's plan if you receive an eligible rollover distribution.

**Plan Investment Options** - Your contributions to the 403(b) Plan must be made to an investment provider approved by your Employer. Before enrolling in the plan, you must first establish an account with one of the Providers listed. Once you have executed an investment contract and established an account, you can begin making contributions.

**Assistance** - You may enroll in the plan or receive assistance with these provisions by contacting the plan's Third Party Administrator, First Financial Administrator, Inc. or a representative for one of the plan's Investment Companies listed on [www.ffga.com](http://www.ffga.com).

Additional information about the provisions and options in your plan are available by contacting First Financial Administrators at (800) 523-8422 or from the plan's web site, [www.ffga.com](http://www.ffga.com).

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## **403(b) Retirement Plan**

The tax structure of a 403(b) is similar to 401k. As you make contributions through your salary, on a pre-tax basis, they attract interest. It is when you start receiving monthly payments from the plan on maturity that you are required to pay taxes, just like any other ordinary income. This is why 403(b) is also known as Tax Sheltered Annuity (TSA). This plan is popular among non-profit organizations, and employers opt for it, as it is exempt from Employer Retirement Income Security Act which allows the employer to offer this plan to all employees.

**Questions? Contact First Financial at  
(800) 523-8422 or visit us at [www.ffga.com](http://www.ffga.com).**

