

Understanding Your 403(b)

Overview

The 403(b) is a Tax-Sheltered Account (TSA) developed by the IRS to allow you to save pre-tax dollars for retirement. The plan is administered by a financial institution that will typically offer several mutual fund options for investing your funds within the plan. These funds grow tax-free until they are withdrawn.

Taxes

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

Withdrawals

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

Loans

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

Contribution Limits

In 2012, you may contribute up to \$17,000 to a 403(b).

Catch-up Contributions

It is possible to contribute up to \$8,500 more than the maximum if you meet the following requirements:

- Age 50+ in 2012 = an additional \$5,500
- With employer 15+ years = an additional \$3,000.

The Pre-Tax Savings Advantage

Based on a teacher's annual income of \$45,000

403(b) Contribution

	\$100/Month	\$300/Month	\$500/Month
Monthly gross income	\$3,750	\$3,750	\$3,750
Net Pay Check	\$2,786	\$2,652	\$2,518
Change in Paycheck	\$67	\$201	\$335

This is a hypothetical example used for illustrative purposes only, and is not indicative of any specific investment. The example does not reflect any fees or charges that may apply.



Here to help you

The 403(b) administrator for your district is SchoolsFirst Federal Credit Union. If you have questions, or would like to open your 403(b) account, please contact:

A 403(b) account must be opened prior to your first contribution. A complete list of approved providers is available upon request.

Representatives are registered, securities are sold, and investment advisory services offered through CUNA Brokerage Services, Inc. (CBSI), member FINRA, a registered broker/dealer and investment advisor, 2000 Heritage Way, Waverly, Iowa 50677, toll-free (866) 512-6109. Nondeposit investment and insurance products are not federally insured, involve investment risk, may lose value and are not obligations of or guaranteed by SchoolsFirst FCU. CBSI is under contract with SchoolsFirst FCU, through the financial services program, to make securities available to Members.

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

Overview

The IRS developed the 403(b) and Roth 403(b) plans to offer school employees a tax incentive to save for retirement. Both plans are administered by financial institutions that will typically offer several mutual fund options within the plan. You may choose to participate in one or both plans, which must be opened prior to your first contribution.

403(b)

Taxes

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

Withdrawals

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

Loans

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

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 to be taken—tax-free if the account has been open for at least five years and you are age 59½ or older.

Withdrawals

You may make a withdrawal from your 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 your Roth 403(b) while you are still employed. Repayment terms and interest rates are determined by your plan administrator.



Contribution Limits

In 2012, you may contribute up to \$17,000 to a 403(b) and/or Roth 403(b), combined.

It is possible to contribute up to \$8,500 more than the maximum if you meet the following requirements:

- Age 50+ in 2012 = \$5,500
- With employer 15+ years = \$3,000

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Understanding Your 457(b)

Overview

The 457(b) is a deferred compensation plan (DCP) that allows you to save pre-tax dollars for retirement. It is an employer-sponsored plan your district can choose to make available to you. Investment options with a 457(b) include mutual funds and SchoolsFirst FCU share certificates.¹

Taxes

Contributions are made to your 457(b) before taxes are taken from your paycheck, reducing your taxable income. Taxes are paid on withdrawals, typically in retirement when you will likely be in a lower tax bracket.

Withdrawals

Regardless of age, you may withdraw from your 457(b) when you leave your employer, or in the case of death, disability or unforeseeable emergency. Supporting documentation is required and you may be subject to penalty fees. Distributed funds cannot be rolled back into the plan.

Loans

A loan may be taken against your 457(b) funds while you are still employed. Repayment terms and interest rates are determined by your plan's administrator.

Contribution Limits

In 2012, you may contribute up to \$17,000 to 457(b).

It is possible to make a catch-up contribution of up to \$16,500 more than the maximum if you meet the following requirements:

- Age 50+ in 2012 = an additional \$5,500
- Age is within three years of Normal Retirement Age (NRA)^{*}
NRA in 2012 = an additional \$17,000

The Pre-Tax Savings Advantage

Based on a teacher's annual income of \$45,000

457(b) Contribution

	\$100/Month	\$300/Month	\$500/Month
Monthly gross income	\$3,750	\$3,750	\$3,750
Net Pay Check	\$2,786	\$2,652	\$2,518
Change in Paycheck	\$67	\$201	\$335

^{*}NRA is typically 62 or 65. Check with your plan administrator.

This is a hypothetical example used for illustrative purposes only and is not indicative of any specific investment. The example does not reflect any fees or charges that may apply.

1. Share Certificates are federally insured by the National Credit Union Administration.



Here to help you

The 457(b) administrator for your district is SchoolsFirst Federal Credit Union. If you have questions, or would like to open your 457(b), please contact:

A 457(b) account must be opened prior to your first contribution. A complete list of approved providers is available upon request.

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