

ROTH AFTER-TAX COMPONENT OF THE BOARD OF REGENTS OSU/A&M VOLUNTARY 403(B) PLAN

How You Can Make Contributions

OPSU offers the Roth 403(b) option effective July 1, 2010. Plan participants may choose to designate all or a portion of their contributions to the plan as "Roth 403(b) contributions."

What does this mean? Like contributions to a Roth IRA, Roth 403(b) contributions must be made with after-tax dollars. These contributions would not reduce your taxable income like contributions to a traditional 403(b) do, but they would provide the potential for great long-term benefits.

The annual contribution limits are the same for traditional 403(b) and Roth 403(b) contributions:

- The combined limit for 2010 is \$16,500.
- If you are age 50 or older, you may be able to make an additional "catch-up" contribution of \$5,500 for 2010.
- You can divide your contributions as you like between the traditional 403(b) and Roth 403(b) plans, as long as you don't exceed the annual limits. The election to treat part of the contributions as Roth 403(b) contributions is irrevocable and must be made before the contributions are made to the plan.

What About Withdrawals and Taxes?

Like the Roth IRA, the Roth 403(b) offers tax-free withdrawals if the account is at least five years old and you are at least age 59 ½. Early withdrawals may be subject to income taxes and a 10% penalty tax. Withdrawals can only be made upon reaching age 59 ½, severance of employment, hardship, death, disability and plan termination.

Unlike the Roth IRA, the Roth 403(b) does not allow penalty-free withdrawals for special purposes, such as a first-time home purchase.

You may be able to roll over distributions from a Roth 403(b) to a Roth IRA or another 403(b) plan that accepts Roth contributions if you want to keep the money invested. You must begin taking required minimum distributions from a Roth 403(b) at age 70 ½, which is different from Roth IRA rules but consistent with the traditional 403(b) and IRA rules.

Why the Roth 403(b) Might Be for You

Consider the following benefits:

- **Tax-free withdrawals.** In comparison, withdrawals from a traditional 403(b) are taxed as ordinary income. Remember that early withdrawals from a Roth 403(b) may be subject to income taxes and a 10% penalty tax.

- **No income restrictions.** Unlike the Roth IRA, the Roth 403(b) does not limit or restrict contributions if your adjusted gross income is above a certain amount.
- **Higher contribution limits.** If you want to take advantage of a Roth account, the Roth 403(b) has higher contribution and catch-up limits than the Roth IRA. You may be eligible to contribute to both types of Roth accounts.
- **No income tax for your beneficiaries.** The beneficiaries of your Roth 403(b) will not have to pay income tax on the assets in your account if it was open for at least five years. (Estate tax still may apply.) Traditional 403(b) money is fully taxable to heirs.

The Roth 403(b) may not be for everyone. For example, it may not be for you if you are in a lower tax bracket in retirement. That's because you would have paid taxes at a higher rate when you contributed the money (since Roth contributions are made with after-tax money).

Carefully consider all of your options for retirement investing before deciding which type of account or accounts will be most appropriate for you.