

Texas State University–San Marcos

Tax Deferred Account-403(b) (8/09)

Contributing to the Tax-Deferred Account Program can significantly reduce your current taxes and help you save for retirement. Contributions are conveniently taken by payroll deduction. *This program is voluntary and participation is in addition to the required retirement program.* The TDA Program is subject to all applicable provisions of Sections 403(b)(1), 403(b)(7), and 415 of the U.S. Internal Revenue Code, as amended. See IRS Publication 571 for more details.

Roth vs. Traditional

You may contribute to the TDA with pre-tax (“Traditional”) or post-tax (“Roth”) payroll deductions. Depending on your personal financial situation, it may be beneficial for you to choose one contribution strategy over the other. For additional information, please consult your investment or financial advisor.

- Pre-tax contributions lower your current tax liability. And, by deferring the payment of taxes on TDA contributions until the money is withdrawn – usually at retirement when you may be in a lower tax bracket—you are likely to pay less tax on your earnings.
- Post-tax (Roth) contributions offer you the potential for tax-free retirement income later- by investing on an after-tax basis now. You pay your taxes upfront at your current tax rate rather than later at whatever your tax rate would be when you retire.

Contributions

You can start and stop your contributions at any time. You can contribute as little as \$25 per pay period or as much as 100% of your eligible compensation up to \$16,500 for 2009 (Traditional and Roth combined). There are also two catch up provisions:

- **Age 50 Catch up:** If you are age 50 or older, you may contribute an additional \$5,500.
- **15 Years of Service Catch up:** If you have 15 years of Texas State University service, and your previous deferrals have averaged less than \$5,000 per year, you may defer up to an additional \$3,000. The additional deferral may not exceed a lifetime maximum of \$15,000. Eligibility for the amount you can contribute under this catch up provision must be calculated by your Benefits Office.

Your enrollment in the TexaSaver 457 Plan contributions do not affect the total amount you are able to defer under the TDA. Also, social security benefits are not affected by participation in a TDA.

Enrollment

- Contact the Benefits Office and request a calculation of your contribution limit.
- Review and select a provider(s) from the list of [authorized providers](#) . You may select more than one provider for your participation.
- Complete an account application(s) with the provider(s) you have selected.
- Complete Texas State University Tax Deferred Account Salary Reduction Agreement form to start, stop or change your contributions. (Due by 10th of the month to be effective the 1st of that month)
- Complete Texas State University Change of Carrier form if you wish to change your carrier for future contributions.
- Complete Texas State University Capital Transfer form if you wish to rollover contributions to a new carrier at anytime.

	Traditional 403 (b)	Roth 403 (b)	Roth IRA
Eligibility	Any employee expected to work 1,000 hours or more in a calendar year excluding non-resident aliens and student employees.	Any employee expected to work 1,000 hours or more in a calendar year excluding non-resident aliens and student employees.	If filing status is single or head-of-household, AGI must not be more than \$105,000 If filing status is married filing jointly, combined AGI must not be more than \$166,000 If married filing separately, AGI must not be more than \$10,000
2009 Contribution Limits	\$16,500, plus up to \$3,000 under the 15- year catch-up, plus \$5,500 if age 50+.	\$16,500, plus up to \$3,000 under the 15-year catch-up, plus \$5,500 if age 50+.	\$5,000, plus \$1,000 if age 50+.
Tax-Free Qualified Distribution*	Not available. All distributions are taxed as ordinary income.	If the following criteria are met: 5 year holding period and distribution due to: -Attainment of age 59½ -Disability -Death	If the following criteria are met: 5 year holding period and distribution due to: -Attainment of age 59 ½ -Disability -Death -Certain first-time home purchase
Distributions Permitted (may be subject to taxation if the distribution is not a Qualified Distribution)	-Age 59 ½ -Death -Disability -Separation from service -Financial hardship	-Age 59 ½ -Death -Disability -Separation from service -Financial hardship	At any time (no restrictions apply).
Internal Revenue Service 10% Premature Distribution Penalty Tax	Applicable to all amounts distributed prior to age 59 1/2, unless an exception applies.	Applicable to earnings distributed prior to age 59 ½, unless an exception applies.	Applicable to earnings distributed prior to age 59 ½, unless an exception applies.
Loan Availability	Yes, if offered by vendor	Yes, if offered by vendor	No
Required Minimum Distribution	Yes	Yes	No, during owner's lifetime

* Note that distribution from the Roth 403 (b) and Roth IRA are subject to taxation on the portion attributable to the earnings if made before Qualified Distribution provisions are satisfied.