The Roth contribution option: A new way to save for retirement

The University of Delaware is introducing a Roth contribution option as part of the Retirement Program changes beginning January 2018. It's yet another option you can use to save for your financial future.

What is a Roth contribution option?

Your pretax contributions have the potential to accumulate tax deferred and withdrawals are taxable.[1] 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 potentially significant tax benefits are similar to a Roth IRA. There are other advantages to Roth contributions, including higher contribution limits than a Roth IRA.

Consider a Roth contribution if you:	Roth contribution benefits:
Are not eligible to make Roth IRA contributions because of high income	The Roth option does not have adjusted gross income (AGI) limits.
Would like to make Roth contributions greater than the Roth IRA limit	In 2017, the contribution limit for a 403(b) account ($18,000) is higher than the limit for a Roth IRA ($5,500), letting you increase your after-tax retirement savings.
Feel confident your retirement income needs are met and want to leave a potential tax-free legacy	Assets may be passed along to your beneficiaries income tax free.
Would like to help protect your retirement assets from potential tax consequences	Having both pretax and after-tax assets in your retirement accounts allows you to hedge against the uncertainty of future tax rates.
Are just starting out and in a lower tax bracket	By making after-tax contributions that are based on a lower income, you pay less taxes now. Also, the earlier you start, the more time you give your money to work for you. And withdrawals from a Roth are typically tax free.* TIAA group of companies does not offer tax advice. See your tax advisor regarding your particular situation. * 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.

A new way to save for retirement

Is the Roth contribution option right for you?

Contributing to the Roth option today may provide significant tax savings—especially if you expect your tax rate to be higher when you retire. 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. Please consult your tax advisor.

If you expect your tax rate during retirement will be:	Your preferred option may be:
Higher than your current rate	After-tax Roth contribution option. Since you already paid taxes on your contributions, withdrawals are tax free.
Lower than your current rate	Pretax contribution option. While this money is taxable, you expect to benefit by being in a lower tax bracket during retirement.
Same as your current rate	Either or both.

Important notes:

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

Roth contributions do reduce your loan-taking capacity. If you have a Roth balance, it will be included in the calculation of your loan amount availability, but the loan amount must come from your pretax balances only. Furthermore, Roth-balance-only loans are not available. Please take this into consideration when making a decision.

If you have questions about the Roth contribution option, call TIAA at **800-842-2252**, weekdays, 8 a.m. to 10 p.m., and Saturday, 9 a.m. to 6 p.m. (ET), or visit **TIAA.org/udel**. We look forward to helping you as you plan for—and live well in—retirement.

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[1] Distributions from 403(b) plans before age 59½, severance from employment, death, or disability may be prohibited, limited, and/or subject to substantial tax penalties. Different restrictions may apply to other types of plans.

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