

How does a 403(b) plan work?

You set aside money for retirement on a pre-tax basis through a salary reduction agreement with your employer. You choose from among the vendors offered by your employer where your money is to be invested. The money grows tax free until withdrawal at retirement

How much can I contribute annually

For 2015-2017, employees can contribute \$18,000 in regular contributions. The IRS refers to regular contributions as elective deferrals. A Participant age 50 or older at any time during the year can contribute an additional \$6,000 for 2017. For those with employer matches or other employer contributions limit is \$54,000 for 2017, or 100% of compensation (whichever is less). The participant is still limited to the employee elective deferral limit (\$18,000 for 2017). An employer can add up to another \$36,000 for 2017.

Employees with 15 years or more of service with an employer and an annual average contribution of less than \$5,000 per year, are eligible to contribute an additional \$3,000 per year up to a lifetime maximum catch-up of \$15,000.

NOTE: For participants eligible for both the Age 50 Catch-up and the 15 Years of Service provision, the IRS will apply contributions above the 2017 limit of \$18,000 first to the 15 Years of Service provision. For example, if an employee eligible for both catch-ups contributed \$22,000 during the year 2017, \$18,000 would count toward the regular contribution limit for 2017; \$3,000 would count toward the 15 Years of Service provision; and \$1,000 would count toward the Age 50 Catch-up.

Are part time employees eligible to contribute to a 403(b)

In order to meet nondiscrimination requirements of the law, once a plan sponsor permits any employee to elect a salary deferral into the 403(b), the opportunity must be extended to all employees of the organization. However, certain employees may be excluded. Employees who may be excluded include: employees who will contribute \$200 annually or less; those who are participants in an eligible deferred compensation plan [457 or 401(k)] or participants in another TSA; non-resident aliens; and certain students and employees who normally work less than 20 hours per week.

Duration of agreement

This Agreement shall continue indefinitely until amended or terminated by either party by giving at least (30) days written notice prior to the date of such amendment or termination. Southwest Allen may reduce or discontinue my salary deferrals in any year in which this Agreement is in effect, if necessary, to comply with Southwest Allen terminates the Plan, this Agreement shall automatically terminate.

Under what circumstances may a hardship withdrawal be made?

This provision allows withdrawal of funds from a 403(b) if under severe financial distress. The participant must have no other resources available. A hardship withdrawal may be made for:

- Un-reimbursed medical expenses of the participant or his/her spouse and dependents.
- Down payment on primary residence.
- Tuition and fees for higher education needs, and only for the next 12 months.
- Eviction or foreclosure on your primary residence

Hardship withdrawals are not exempt from an IRS 10% penalty. Furthermore, withdrawals are subject to ordinary income taxation in the year withdrawn. To qualify you must certify that you have no other recourse, including the possibility of taking a loan. You also are prohibited from contributing to a 403(b) for the next six months. The IRS makes it tough to access money this way for a reason: they don't want you to use the 403(b) as a form of short term savings. For exact details on your situation it is recommended that you contact both your vendor and a tax professional before proceeding.

Also, while the IRS permits withdrawals, it is allowable for a plan sponsors (the employer) to not permit them. The employer has some responsibility in making hardship withdrawals. The employer has to "OK" the hardship, based on written information provided by the employee as to the nature of the hardship. The employer has to determine, based on the facts, whether the employee has an "immediate and heavy financial need."

Consulting a tax professional before making a hardship withdrawal is highly recommended.