

# Facts About a 403(b) Retirement Plan

# 403(b) Retirement Plan

**As someone who works in education, research or for a non-profit organization, you may be eligible for a retirement plan, sponsored by your employer, called a 403(b) retirement plan.**

## What is a “403(b)” plan?

Named for the section of the Internal Revenue Code that created it, 403(b) plans enable an employer to buy an annuity contract or custodial account for an employee’s retirement without current tax consequences to employees. Money you put into the plan is tax-deferred until it is withdrawn.

## Why should I enroll?

- **Easy, painless savings** — Your contributions are deducted directly from your paycheck, BEFORE taxes are taken out, and are invested with the vehicle you choose (among choices offered by your employer).
- **Paying yourself first** — With a tax-deferred 403(b) plan, you pay yourself FIRST, rather than trying to find “extra” money to invest for retirement after you have paid all of your other bills.
- **Matching contributions** — Some employers “match” their employees’ contributions to the plan — which means that the employer contributes a percentage of the amount you contribute to your account. Employees who choose not to participate give up this valuable benefit.
- **Diverse investment opportunities** — Most plans offer a range of funding vehicles, so you can choose where your assets are invested, from a list provided by your employer.
- **Tax-deferred contributions** — The contributions made to your plan are not taxed now (they are taxed when you take the money out at retirement). So you pay less taxes today, and save more of your money for tomorrow.

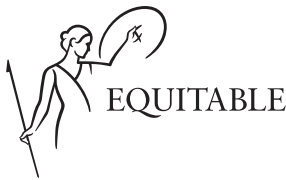
### Your 403(b) in Action

Assume you are in a combined 30% tax bracket and you want to save \$100 per month. If you were in a fully taxable investment, your paycheck would be reduced by \$100. But in a 403(b) plan, your paycheck would be reduced by just \$70.

- **Tax-deferred growth** — You don’t pay taxes now on the money you save and you won’t pay taxes on any earnings until you start taking withdrawals. As a result, your money can grow faster.

### Your 403(b) in Action

Assume your contributions earn \$1,000 annually. If you were in a fully taxable investment, you would owe \$300 of that in taxes (assuming a combined 30% tax bracket). But in a 403(b) plan, taxes on earnings are deferred, so all of your earnings remain invested and growing for the future.



## Frequently asked questions

- **How much can I contribute?** In 2004, you can contribute 100% of your “includible compensation” up to \$13,000 per year. The limit will increase by \$1,000 per year to \$15,000 in 2006.
- **I had a 401(k) in my old job. Can I roll that over into my 403(b)?** Under the EGTRRA tax law, you can roll over funds from other retirement plans, including governmental 457 plans, 401(k)s or IRAs, into your 403(b) plan and vice versa, if the receiving plan agrees.
- **I should have joined earlier! Is there any way to contribute more money?** In 2004, people who are age 50 or older can make an extra “catch-up” contribution of \$3,000. That amount increases by \$1,000 per year to a total of \$5,000 in 2006.
- **Once I join, do I have to keep contributing until I retire?** You can stop elective deferrals at any time; other changes regarding investments are according to the plan.
- **Can I take loans from my account?** If your employer’s plan permits loans, you can borrow a percentage of your account value. You must repay the loan within 5 years, unless you use the money to buy your primary residence. In that case, you can repay the loan over a 10-year period.
- **When can I access the money?** Plan provisions vary, but generally some distributions are required to start at age 70½ or retirement, whichever is later. Withdrawals prior to age 59½, unless due to death, disability, severance from employment in the year you turn age 55 or older, or hardship, may incur an additional 10% federal income penalty tax.

## Things to consider when choosing a carrier

Annuities are long-term financial products which include a charge for certain withdrawals made in the contract’s early years. For costs and complete details, contact your Equitable financial professional. If you buy an annuity to fund a retirement plan that is tax-deferred, your annuity will not provide any necessary or additional tax-deferral benefits beyond those provided by the retirement plan. Before purchasing an annuity to fund a retirement plan that is already tax-deferred, you should consider whether the annuity’s features and benefits, other than tax deferral, outweigh its costs.

- **Independent analyst’s ratings** — Rating agencies evaluate the financial strength of insurance companies offering annuities.
- **Number of options offered** — Because a 403(b) plan is a long-term commitment, it’s important to have a funding vehicle with access to different kinds of investments. Look for a plan that offers a well-rounded mix and the service of a professional who can guide you as you choose your own investment strategy.
- **Flexibility in investment options** — Can you change where your money is invested after you have made a choice? How often? Are there any restrictions?
- **Sales charges or fees** — What sales charges or administrative fees does the company charge? Are they ever waived? Can you access your money before retirement without a fee? Ask if performance figures are shown net of fees.
- **Special services** — Do you have 24-hour access to your account information? Can you make transfers or other changes via the Internet? What kind of reports will you receive? Does the company provide personal attention, and if so, what kind?
- **Flexibility in payout options** — How can you structure your payout when you retire? Do you have to take the money a certain way? Or does the company provide options that will suit various scenarios?

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