



RETIREMENT PLANNING

Section 403(b)

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RETIREMENT PLANNING

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PLEASE NOTE

The Consolidated Appropriations Act, 2021 continues many temporary CARES Act provisions through 2021 to ease access to retirement funds, including:

- ◆ The exception to the 10% early withdrawal penalty for distributions prior to age 59½
- ◆ The elimination of the mandatory 20% withholding requirement on distributions
- ◆ The option to take out up to \$100,000 in a loan or withdrawal (if otherwise allowed under plan provisions)



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- 1. An employee of a public education organization or tax-exempt organization elects to defer a portion of salary into a 403(b) plan subject to annual contribution limits (which increase at age 50).
- 2. Deferrals within these limits are not taxed. (Any Roth deferrals are currently taxed but may then be distributed tax-free when certain requirements are met.) Earnings inside the plan grow tax deferred, allowing for greater accumulation.



- 3. The employee may begin taking distributions from the plan at age 59½, and must begin taking distributions by age 72 or actual retirement, if later. Early distributions face a 10% penalty (with some exceptions). Distributions after age 72 face a 50% penalty on the amount that should have been distributed but was not.
- 4. At the employee's death, the plan (if so arranged) provides survivor benefits to the employee's beneficiary.

- 5. Distributions are taxed as ordinary income. Survivor benefits are also taxed as ordinary income.