



Iowa

Retirement Investors' Club (RIC)

Look forward to retirement!


Roth 403b Summary

Education-Related Employees

Iowa Retirement Investors' Club (RIC) – Your employer's 403b supplemental retirement savings benefit provides an easy way for you to save a portion of current wages for future income needs. RIC participation is through salary reductions in the amount you choose (and/or employer contributions if available in your plan). RIC has no vesting requirements.

Note: Your employer may not offer a Roth option. You may view Roth availability in your employer's plan at https://das.iowa.gov/RIC/403b/plan_details.

Roth vs. Pretax



Roth contributions are invested after taxes are withheld. Earnings are tax-free if qualified*.

Pretax contributions are invested before taxes are withheld. Earnings are tax-deferred.

What is the Roth 403b? The Roth 403b option allows you to save post-tax dollars and potentially accumulate tax-free investment earnings for use in retirement.

How do I contribute to the Roth 403b? Participating in RIC gives you the option to save pretax and if available in your employer's 403b plan, post-tax Roth.

- **New to RIC** – Enroll in RIC (<https://das.iowa.gov/RIC/403b/enrollment>) and elect Roth on the *RIC Account Form*.
- **Current RIC participant** – Designate your Roth salary reduction amount on the *RIC 403b Salary Reduction Form*. Both pretax and Roth contributions are deposited in the same 403b account. Access to the *RIC 403b Salary Reduction Form* is available on the RIC website at <https://das.iowa.gov/RIC/403b/documents>.

Is the Roth 403b right for me? The answer to this question depends on whether you want to pay taxes on your savings dollars now or later. Some factors to consider include your age, years to retirement, current tax rate or need for tax relief, projected tax rate at retirement (with taxable pension and SS payments), possibility of fewer tax deductions in retirement, and projected investment earnings. If you are not sure how the Roth 403b option will affect your taxes and savings goals, consult a financial advisor or tax professional.

When can I take my Roth 403b money out? A distributable event** must occur to take out RIC money. There are no product restrictions or penalties. Distribution options include taking income and rolling assets to another retirement account. Assets rolled out of RIC are subject to the distribution rules of the receiving plan. You are not required to take payments until your [IRS required beginning date](#).

Are Roth distributions taxable? Distributions of Roth contributions are tax-free. Roth investment earnings are tax-free if the distribution is qualified. A Roth distribution is considered qualified (tax-free) if all three of the following requirements are met: a distributable event** has occurred, the Roth account has been held 5+ years, and you are age 59½+, disabled, or deceased.

Can I convert my pretax 403b assets to post-tax Roth? Yes, if your provider allows for in-service conversions, you have a distributable event** (some providers may allow the conversion without a distributable event) or pretax 403b roll-in assets from an outside plan. You will be taxed on the amount you convert.

How does the Roth 403b differ from a Roth IRA? Unlike the Roth IRA you purchase at an outside financial institution, the Roth 403b offered by your employer is funded through salary reductions only. The Roth IRA has income limit restrictions but the Roth 403b does not. The Roth 403b has considerably higher annual contribution limits than the Roth IRA (403b and IRA annual limits do not co-ordinate). Distributions from a Roth 403b require a distributable event** but the Roth IRA does not. Requirements for qualified (tax-free) distribution* of Roth investment earnings are the same for both the Roth IRA and Roth 403b.

* A Roth earnings are tax-free if all three of the following requirements are met: a distributable event** has occurred, the Roth account has been held 5+ years, and you are age 59½+, disabled, or deceased.

**Distributable events include separation from employment, attainment of age 59 ½, an approved Hardship Withdrawal, disability, or death.