



Introducing the after-tax contribution option—Roth



Today's agenda

- The after-tax Roth contribution option
- Why the after-tax Roth contribution option may be right for you
- Comparing after-tax Roth contributions and pretax contributions
- Frequently asked questions
- Taking the next step

The Roth contribution option

- After-tax Roth contributions are taken from your paycheck after taxes
- With the Roth option, your after-tax contributions have the potential to accumulate tax free upon withdrawal if certain conditions are met
- Withdrawals after age 59½ are tax free if the distribution is no earlier than five years after contributions were first made*
- You can begin to make after-tax Roth contributions beginning on January 1, 2018
- To elect a new after-tax Roth contribution, log on to “Drexel One”

* Withdrawal 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.

The Roth contribution option

Reasons to consider the Roth contribution option

- Are you just starting out in a lower tax bracket?
- Do you want to make after-tax Roth contributions greater than Roth IRA limit?
- Does your current income exceed eligibility for Roth IRA contributions?
- Do you believe income tax rates are likely to rise?
- Looking to hedge against uncertain future tax rates?
- Wish to pass a portion of retirement savings to heirs?
- Do you expect to make one large purchase in retirement?
- Do you want to diversify the tax treatment of your savings in retirement?*

* The TIAA group of companies does not give tax or legal advice. See your tax advisor regarding your particular situation. Diversification is a technique to help reduce risk. It is not guaranteed to help protect against loss.

Why the Roth option may be right for you

You want to maximize your after-tax savings

- You can use both the Roth contribution option and a Roth IRA, up to their respective IRS limits

You expect to be in a higher tax bracket in retirement

- Pay taxes on the contributions now—potentially at a lower tax rate
- Receive money tax free when you retire

You earn too much to contribute to a Roth IRA

- After-tax Roth contributions to your retirement plan have no income limits

You want to pass on tax-free income to your heirs

- After-tax Roth contributions may be tax free for your beneficiaries under certain circumstances

Consult with your tax advisor regarding your situation

Comparing after-tax Roth and pretax contributions

What is the difference between the pretax contribution and the after-tax Roth contribution options?

- Pretax participant contributions made on a pretax basis*
 - Lower your taxable income now
 - Pay taxes on contributions and earnings upon withdrawal, usually in retirement
- After-tax Roth participant contributions taken from paycheck after taxes
 - Do not lower your current taxable income
 - You make contributions after your income is taxed

* 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.

Comparing after-tax Roth and pretax contributions

Should you pay taxes now or later?

- If you anticipate a higher tax bracket in retirement, you may benefit from Roth contributions now
- If you anticipate a lower tax bracket in retirement, continued pretax contributions may be a better option

After-tax Roth contributions are another way to diversify

- You may not know today your tax situation at retirement
- Can't predict changes the government will make
- After-tax Roth contributions could potentially reduce taxes in retirement, and/or balance other sources of taxable income

Comparing after-tax Roth and pretax contributions

	Roth 403(b) after-tax contributions	Pretax contributions
Annual contribution	\$6,000	\$8,000
Current tax savings	0	\$2,000
Effect on annual income	(\$6,000)	(\$6,000)
Future Account	\$233,956	\$311,942
If taxes remain unchanged: Future Account (after taxes paid) assuming 25% tax bracket while working and in retirement	\$233,956	\$233,956
If taxes are higher in retirement: Future Account (after taxes paid) assuming 25% tax bracket while working and 30% bracket in retirement	\$233,956	\$218,359
If taxes are lower in retirement: Future Account (after taxes paid) assuming 25% tax bracket while working and 20% bracket in retirement	\$233,956	\$249,353

* This illustration is hypothetical and not intended to represent the performance of any specific investment product and cannot be used to predict or project investment performance. Charges and expenses that would be associated with an actual investment are not reflected. Chart assumes 6% rate of return and 25% current tax bracket.

Frequently asked questions

Q: How much can I contribute using the after-tax Roth contribution option?

A: The Internal Revenue Service announces contribution limits each year

- Any combination of pretax and after-tax Roth contributions up to the IRS limits
- 2018 IRS annual limits: \$18,500 under age 50, \$24,500 over age 50

Q: How do I make after-tax Roth contributions to my account?

A: To elect a new after-tax Roth contribution, log on to “Drexel One”

Frequently asked questions

Q: When can I take a tax-free withdrawal from my after-tax Roth balance?

A: Age 59½, no earlier than five years after the first contribution was made, or if you are permanently disabled. Beneficiaries may receive a distribution in the event of your death.

Q: How is the five-year time frame for my after-tax Roth contributions determined?

A: It begins on the first day of the year in which the first after-tax Roth contribution is made to the plan

- If you roll over your savings to another employer's retirement plan, you keep your original start date.
- If you rollover your savings into a new Roth IRA, your five-year time frame for the Roth IRA begins on the date you roll over the Roth retirement plan balances. **Your five-year period is not carried over to the Roth IRA with the money.**
- If you rollover your savings into an established Roth IRA, the five-year Roth IRA period begins with the date you make your first contribution to a Roth IRA and is unaffected by the transfer of Roth retirement plan option balances into the account.

Frequently asked questions

Q: Are there income limits with the after-tax Roth option?

A: Roth IRA income limits do not apply to after-tax Roth contributions in the Drexel University Retirement Plan.

Q: Are after-tax Roth assets subject to IRS required minimum distribution rules?

A: If you participate in a retirement or deferred compensation plan, you are generally required to take minimum distributions at age 70½

- Roth IRA not subject to required minimum distributions. You can roll over after-tax Roth retirement plan contributions to a Roth IRA, but the five-year period does not carry over.

Q: Can I roll over my after-tax Roth savings from one employer's plan to another?

A: You can roll over your after-tax Roth contributions and any earnings in your Drexel University Retirement Plan to another retirement plan if it accepts the funds.*

* Prior to rolling over assets, you should carefully consider your other available options. You may also be able to leave money in your current plan, roll over money to an IRA, or cash out all or part of the account value. You should weigh each option carefully and its advantages and disadvantages, including desired investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and your unique financial needs and retirement plan. You should seek the guidance of your financial professional and tax advisor prior to rolling over. Learn more at [TIAA.org/knowyouroptions](https://www.tiaa.org/knowyouroptions).

Taking the next step

Contact TIAA for more information or help

- Phone

Call TIAA at **800-842-2252** to speak with a financial consultant, weekdays, 8 a.m. to 10 p.m. and Saturday, 9 a.m. to 6 p.m. (ET).

- Online

Go to [TIAA.org/drexel](https://www.tiaa.org/drexel)

In person

Schedule a one-on-one consultation. Go to [TIAA.org/schedulenow](https://www.tiaa.org/schedulenow) or call **800-732-8353**, weekdays, 8 a.m. to 8 p.m. (ET) to schedule an appointment.

Questions?



This material is for informational or educational purposes only and does not constitute a recommendation or investment advice in connection with a distribution, transfer or rollover, a purchase or sale of securities or other investment property, or the management of securities or other investments, including the development of an investment strategy or retention of an investment manager or advisor. This material does not take into account any specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made in consultation with an investor's personal advisor based on the investor's own objectives and circumstances.

The TIAA group of companies does not give tax or legal advice. See your tax advisor regarding your particular situation.

Investment products, insurance, and annuity products are not FDIC insured, are not bank guaranteed, are not deposits, are not insured by any federal government agency, are not a condition to any banking service or activity, and may lose value.

TIAA-CREF Individual & Institutional Services, LLC, Teachers Personal Investors Services, Inc., and Nuveen Securities, LLC, Members FINRA and SIPC, distribute securities products. Annuity contracts and certificates are issued by Teachers Insurance and Annuity Association of America (TIAA) and College Retirement Equities Fund (CREF), New York, NY. Each is solely responsible for its own financial condition and contractual obligations.

©2018 Teachers Insurance and Annuity Association of America-College Retirement Equities Fund, 730 Third Avenue, New York, NY 10017

TIAA.org

MT 306250
345475
141025647

BUILT TO PERFORM.

CREATED TO SERVE.