



Roth 403(b) Plans

FOR EDUCATION PROFESSIONALS

Like most Americans saving for retirement, educators like you are looking for options to make the most of their retirement dollars. One option is a Roth 403(b) plan that offers after-tax contributions combined with tax-free distributions. To help you make the right decision for your future, here are some important items to consider.

What is a Roth 403(b) plan?

A Roth 403(b) plan is an after-tax retirement contribution savings plan with qualifying tax-free distributions.

Who is eligible to participate?

Anyone eligible for a traditional 403(b) plan will also be eligible for a Roth 403(b) if your employer chooses to make such a plan available.

What are the contribution limits for elective contributions?

The limits are the same as traditional 403(b)s. The combined total elective deferral limit for both plans in 2023 is \$22,500 or \$30,000 for participants age 50 or over.

Are Roth 403(b) plans eligible for catch-up contributions?

Yes. Both the age 50+ catch-up provision and the special catch-up provision, based on years of service and total contributions, are available in Roth 403(b) plans.

Can Roth 403(b) and traditional 403(b) contributions be combined in one account?

Roth 403(b) contributions are made on an after-tax basis, while traditional 403(b) contributions are made on a pre-tax basis. National Life Group, through our member company Life Insurance Company of the Southwest, requires that the two types of contributions be accumulated in separate policies, subject to the elective deferral limit.

When are tax-free distributions allowed from Roth 403(b) plans?

Tax-free distributions are allowed after 5 years and the participant's attainment of age 59½. Plans must be held for at least 5 years, even if age 59½ has been attained, in order to be distributed tax-free. Tax-free distributions are also available on the participant's death or qualifying disability.

Products issued by:

Life Insurance Company of the Southwest®

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Guarantees are dependent upon the claims-paying ability of the issuing company.

Can premature withdrawal penalties apply to Roth 403(b) plans?

Yes. Income taxes are payable on distributions of interest earnings that do not qualify for tax-free distribution. Federal restrictions and tax penalties may apply to premature withdrawals. Distributions that may not qualify for tax-free distribution include hardship withdrawals, separation from service, and retirement before the 5-year rule, and attainment of age 59½. In addition, when annuities are used to fund the Roth 403(b) account, the annuity will have surrender charges that apply during the early years of the contract.

What are some advantages of a Roth 403(b) plan for a participant?

Participants will receive qualifying distributions from their Roth 403(b) on a tax-free basis. Since qualifying Roth 403(b) distributions are tax-free, taxes you may owe on future Social Security benefits could be reduced.

Roth 403(b) contribution limits are higher than Roth IRA contribution limits, allowing Roth 403(b) participants to accumulate more for retirement. Unlike a Roth IRA, there are no income limits for participation in a Roth 403(b). Suppose participants are within the required income limits for a Roth IRA. In that case, they may contribute the maximum contribution limit to their Roth IRA and the maximum contribution limit to their 403(b) plans. Remember, contributions to a traditional 403(b) plan and a Roth 403(b) plan are combined for purposes of contribution limits.

Are loans available on Roth 403(b) plans?

Loans are not available at this time on plans issued by National Life Group at Life Insurance Company of the Southwest. The law is unclear on the subject of loans, and loans will not be available on Roth 403(b) plans until such time as the regulations are clarified.

What responsibilities will the employer incur if they make Roth 403(b) plans available?

Employers must be willing to set up a separate billing arrangement for after-tax and pre-tax contributions and identify them as such. Professional agents can assist employers in this process.

Question	Traditional 403(b)	Roth 403(b)	Roth IRA
Are there contribution limits?	\$22,500 in 2023 and \$7,500 catch-up for age 50+	\$22,500 in 2023 and \$7,500 catch-up for age 50+. The 403(b) Roth limit is aggregated with the traditional 403(b) contribution limit for a total of one 402(g) limit per participant.	\$6,500 in 2023 and \$1,000 catch-up for age 50+.
Is my policy subject to the 415 annual addition limit?	Yes	Yes	No
Can I make pre-tax contributions?	Yes	No	No
Can I make after-tax contributions?	No	Yes	Yes
Are my contributions subject to income limits?	No	No	Yes
Are contributions taxable on distribution?	Yes	No	No
Are earnings taxable on distribution?	Yes	No (if qualifying distribution)	No (if qualifying distribution)
Is the plan eligible for rollover to non-Roth tax-favored plan or traditional IRA?	Yes	No	No
Is the plan eligible for rollover to Roth IRA, Roth 403(b), or Roth 401(k)?	No	Yes	Yes
Is the plan subject to Required Minimum Distributions(RMD)?	Yes	Yes – Participant can avoid the RMD requirement from the Roth account by rolling it over to a Roth IRA, which has no RMD requirement during the participant's lifetime.	No
Is my plan subject to distribution restrictions?	Yes	Yes	Yes
Are distributions of excess contributions taxable?	Yes	Yes – Earnings only	Not applicable
Are policy loans available?	Yes	Not currently on plans issued by National Life Group and Life Insurance Company of the Southwest.	No
Is my policy eligible for employer matching contributions?	Yes	Yes	No
Is my policy eligible for catch-up contributions?	Yes	Yes	Yes
Is my policy subject to QDRO?	Yes	Yes	Yes