

Voluntary Lake Michigan College Retirement Plan Offerings

What is a 403(b)? A 403(b) plan, also known as a tax-sheltered annuity (TSA) plan, is a retirement plan for certain employees of public schools, employees of certain tax-exempt organizations, and certain ministers. This type of retirement plan is designed to benefit you in terms of taxation. First, you do not pay income tax on traditional pre-tax contributions until you begin making withdrawals from the plan. A second benefit is that earnings and gains on amounts in your 403(b) account grow tax free until you withdraw them.

What is a Roth Option? Roth deferrals are made to your 403(b) on an after-tax basis, with those deferrals and associated earnings being eligible for tax-free withdrawal in retirement. You will be able to designate a portion (or all) of your contributions to your 403(b) as Roth. Roth after-tax deferrals and traditional before-tax deferrals each have advantages. You should thoroughly review the attached informational flyer, attend the TIAA workshop (see resources below) and consider consulting a financial advisor prior to electing your contribution amounts.

What is a 457(b)? A 457 plan is a type of tax advantaged deferred-compensation retirement plan that is available only to state and local governmental employees, as well as certain non-profit organizations. What sets a 457(b) apart from other retirement plans is that it offers benefits other retirement plans can't, like penalty-free withdrawals once you stop working for Lake Michigan College. Therefore, there is no 10% penalty for early withdrawal before the age of 59 ½. (although the withdrawal is subject to ordinary income taxation). Just as with the 403(b), you will have the option to elect traditional before-tax deferrals, Roth deferrals or a combination of both into your 457(b).

Can I contribute to both plans? Yes, eligible employees may contribute to both plans, up to the annual maximums established by the IRS.

Who can participate? All Lake Michigan College employees may voluntarily participate in our 403(b) or 457(b) programs. Contracted employees and student workers are not eligible.

Are there income restrictions for participating in a Roth option? No. Unlike a personal Roth IRA which imposes income limits on who can participate and by how much, we can offer eligibility at all income levels with the 403(b) and 457(b) Roth options.

How can I enroll or change my elections? Complete a **Salary Reduction Agreement** and forward it to Human Resources. To elect your fund allocations, create an account with TIAA at www.tiaa.org/lakemichigancollege and follow the instructions under "Manage My Account".

You may start, stop or change your elections, contribution amounts and fund allocations at any time.

The Bottom Line: Participate!

Regardless of which type of contributions you choose, or to which type of account, the important thing is to contribute as much as you can today for your retirement tomorrow. If, after you've done your research and consulted the experts, you decide that you'd like to begin participating, or change your current elections, you can make the appropriate changes by completing a **Salary Reduction Agreement** and visiting www.tiaa.org/lakemichigancollege.

Please contact Annmarie Sawyer at asawyer@lakemichigancollege.edu or ext. 8146 with any questions.