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## The Benefits of a 403(b) Savings Plan The Power of Tax-Advantaged Investing

A 403(b) retirement savings plan is designed especially for employees of school districts, governmental organizations and other nonprofit employers. A 403(b) plan features the ease of automatic payroll deductions and provides a number of powerful tax advantages to help participants save and invest for retirement. Employee participation in a 403(b) plan is voluntary, but for many employees it offers an essential supplement to Social Security or state pension system benefits that may not provide adequate retirement income.

### Pre-tax Contributions = Lower Taxes

Plan participants can choose to have all or a portion of their 403(b) plan contributions automatically deducted from their paychecks before income taxes are withheld. Pre-tax contributions lower taxable income and, as a result, reduce income taxes. Taxes on pre-tax contributions and any investment earnings attributed to pre-tax contributions are not due until money is withdrawn.

### Tax-Free Income through Roth Contributions

Participants can also choose to make after-tax "Roth" contributions to a 403(b) plan. With Roth contributions, payroll deferrals are made after income taxes are deducted, but Roth contributions and their investment earnings are distributed tax free to the participant in retirement. Roth contributions are an optional feature not available in all 403(b) plans.

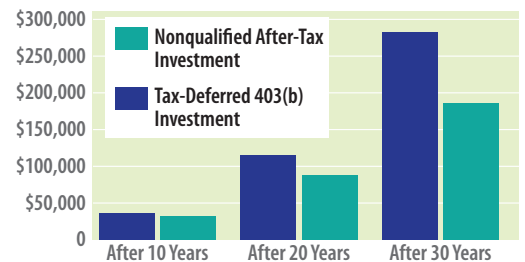
### The Power of Tax-Advantaged Investment Growth

Regardless of whether participants make pre-tax or Roth contributions, all investment earnings in a 403(b) plan grow tax-free. Tax-advantaged growth provides a powerful savings advantage over an investment that is not tax-qualified. This advantage is illustrated in the graph above.

### Other 403(b) Plan Features

Contributions to a 403(b) plan are automatically deducted from a participant's paycheck. This makes it easy to establish a systematic savings plan and can provide the discipline necessary to achieve long-term savings goals. Penalty-free withdrawals from a 403(b) plan cannot be made before age 59½ except for a down payment on a principal residence, higher education expenses, certain financial hardships or if you are age 55 or older and separated from service with your employer. All other withdrawals are subject to a 10% federal penalty and income taxes will be due on pre-tax distributions and any investment earnings attributed to pre-tax contributions. Many 403(b) plans also allow loans where account holders can essentially borrow money from themselves and the interest is paid back into their 403(b) accounts.

### The Power of Tax-Advantaged Growth



The above compares a hypothetical tax-advantaged 403(b) plan investment to a nonqualified, taxable investment in which taxes are deducted from the value of the investment at the beginning of each year. It assumes a \$100 plan contribution made in each of 24 pay periods per year, a hypothetical 8% annual growth rate and a 28% combined income tax rate. Pre-tax 403(b) contributions and earnings are taxed when withdrawn in retirement while Roth 403(b) contributions and earnings can be withdrawn tax free in retirement. Example is for illustration purposes only and is not indicative of the past or future performance of any investments available through the PlanMember Services Program.



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