

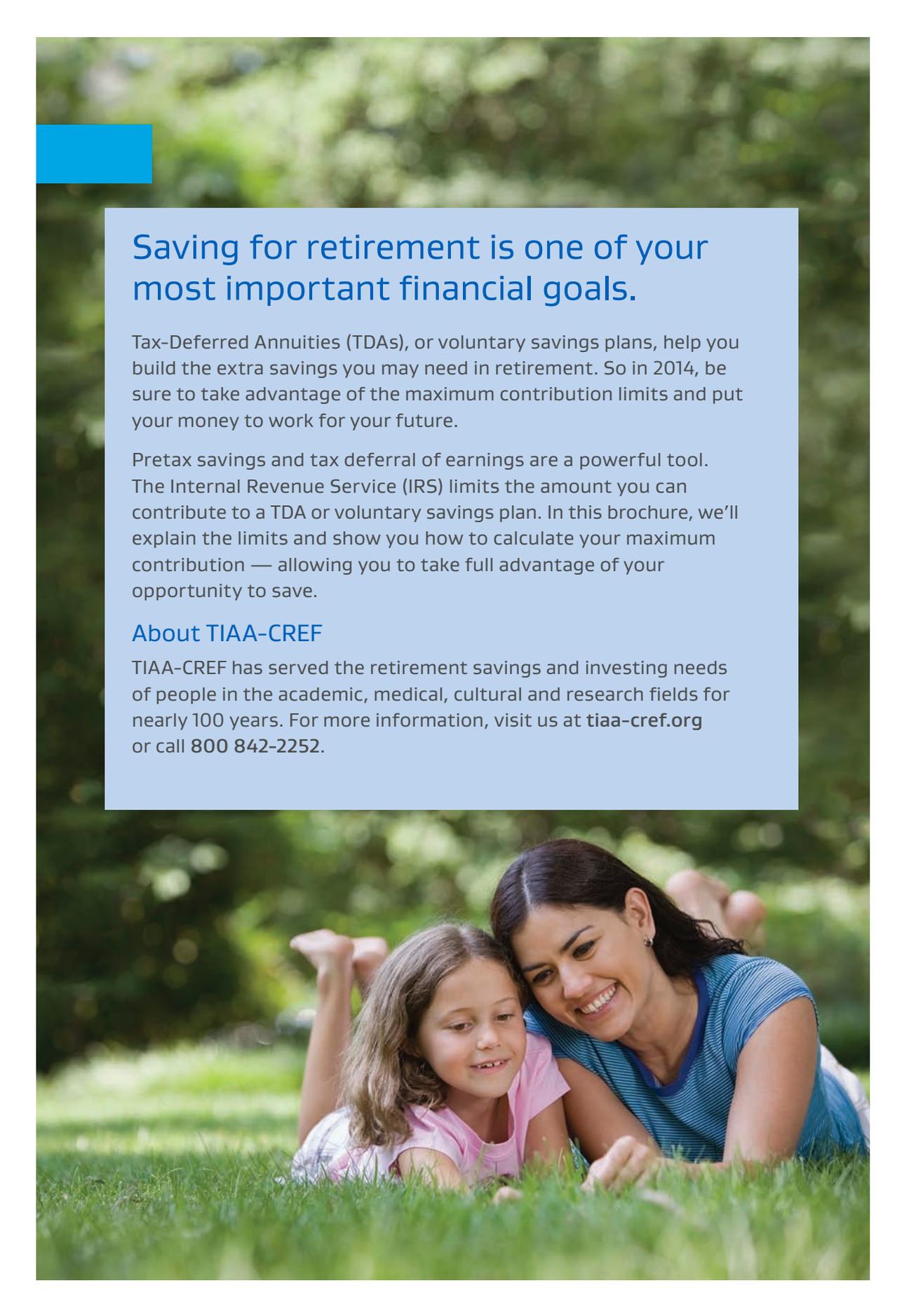


# Your Guide to Tax-Deferred Annuities or Voluntary Savings Plans

How much can you contribute?



Financial Services



## Saving for retirement is one of your most important financial goals.

Tax-Deferred Annuities (TDAs), or voluntary savings plans, help you build the extra savings you may need in retirement. So in 2014, be sure to take advantage of the maximum contribution limits and put your money to work for your future.

Pretax savings and tax deferral of earnings are a powerful tool. The Internal Revenue Service (IRS) limits the amount you can contribute to a TDA or voluntary savings plan. In this brochure, we'll explain the limits and show you how to calculate your maximum contribution — allowing you to take full advantage of your opportunity to save.

### About TIAA-CREF

TIAA-CREF has served the retirement savings and investing needs of people in the academic, medical, cultural and research fields for nearly 100 years. For more information, visit us at [tiaa-cref.org](http://tiaa-cref.org) or call 800 842-2252.

# What is a tax-deferred annuity?

A tax-deferred annuity (TDA) is a defined contribution retirement plan established under Section 403(b) of the Internal Revenue Code (IRC). Whether referred to as a voluntary savings plan, Tax-Sheltered Annuity (TSA) or 403(b), a TDA is designed to complement the base retirement plan your employer may contribute to on your behalf.

The amounts you contribute to a TDA are called elective deferrals. They may include pretax contributions and after-tax designated Roth contributions you voluntarily make under a salary reduction agreement with your employer. The combined elective deferral contributions to all 403(b) and 401(k) plans (even with different employers) and Simple IRA plans cannot exceed the maximum contribution amount.

## TDA contributions and taxes

Contributions are usually from pretax income. This means your contributions help reduce your current taxable income — and taxes you owe currently. Your savings have the potential to grow faster because your contributions and investment earnings are tax deferred, so they aren't taxed until you withdraw them — usually at retirement.

Designated Roth contributions are made on an after-tax basis, which means they come out of your paycheck after your income is taxed. Generally, these contributions and any investment earnings can be withdrawn tax free – provided you're at least age 59½ and your Roth account is at least five years old. After-tax designated Roth contributions may be a good choice if you think your tax rate will stay the same or increase after you retire.

Contribution limits apply to the combination of pretax and after-tax designated Roth contributions. Withdrawals are subject to ordinary income tax and an additional 10% federal tax may apply to withdrawals made prior to age 59½.

## How much can you contribute?

You can contribute up to \$17,500, which is the 402(g) limit for 2014.\* After 2014, the limit may be adjusted for inflation in \$500 increments. In addition, keep in mind that:

- If you are age 50 or older in 2014, you may be eligible to contribute up to an additional \$5,500, for a total contribution of \$23,000. (See below.)
- If you have 15 or more years of service, you may be eligible to contribute up to an additional \$3,000. This would mean a total contribution of \$20,500 if you're under age 50 and \$26,000 if you're age 50 or older. (See below.)
- Under IRC Section 415, employer and employee contributions for 2014 are also limited to \$52,000 or 100% of includible compensation, whichever is less.

## Age 50+ catch-up contributions

If you are age 50 or older by the end of 2014, you may have the opportunity to make additional contributions above the 402(g) limit.

- Age 50+ catch-up contributions will be \$5,500 in 2014. After 2014, the catch-up amount may be indexed and adjusted for inflation in increments of \$500.
- If you participate in both a 403(b) and 401(k) plan, you have one age 50+ catch-up.

## The 15-year rule

The 15-year rule is only available to employees in a 403(b) plan with 15 or more years of service with an eligible employer.\*\* Under the 15-year rule:

- You may be eligible to contribute up to \$3,000 over the 402(g) limit for the year, subject to a lifetime limit of \$15,000.
- You may be eligible if you have contributed, on average, less than \$5,000 a year to your 403(b) plan.
- You should adjust your years of service to take into account any part-time service or breaks in service. For example: If you worked 50% of the time for the past two years, your years of service would be calculated as one year.

Each contribution you make will be applied toward your lifetime limit of \$15,000. For example, if you made deferrals of \$3,000 over the 402(g) limit for five years and you reached the \$15,000 lifetime limit, you would not be able to make additional contributions under the 15-year rule.

\* Your employer's plan may have a \$200 minimum contribution per year.

\*\* Eligible employers are teaching institutions, hospitals, certain churches, home healthcare service organizations, and health and welfare service agencies.

## Coordinating age 50+ catch-up contributions and the 15-year rule

Under the ordering rule, if you're eligible for both age 50+ catch-up contributions and the 15-year rule, contributions above the 402(g) limit count against the 15-year rule first. Only contributions in excess of both the 402(g) limit and the 15-year rule count as 50+ catch-up contributions.

## Performing your own calculation

In the following pages, we provide three tables to help you understand how much you can contribute:

- Table A – Information needed for your calculation
- Table B – Maximum contribution limit calculation
- Table C – 15-year rule calculation



## Table A – Information needed for your calculation

The table below shows the information you'll need to calculate your own limit and provides sample calculation information for a hypothetical staff member, Professor Green. **We assume Professor Green has been employed for 15 years at an eligible institution and participates in a 403(b) retirement plan.**

	Your calculation	Prof. Green's calculation
<p><b>Salary*</b></p> <ul style="list-style-type: none"> <li>▪ Salary for the year in which the calculation is being performed.</li> <li>▪ Include any taxable cafeteria/flexible benefit credits or contributions to flexible spending, healthcare accounts or Section 132 transportation fringe benefits.</li> </ul>	\$	\$70,000
<p><b>Employer contributions*</b></p> <p>Contributions your employer will make for you in 2014 under its defined contribution plan.</p>	\$	\$4,200
<p><b>Prior employee elective deferrals</b></p> <ul style="list-style-type: none"> <li>▪ Cumulative amount of all employee elective deferrals for prior years at current employer.</li> <li>▪ This only applies if you have 15 years or more of service.</li> <li>▪ Elective salary deferrals only, no contributions to TAMRA and employer pick-up plans.</li> </ul>	\$	\$45,000
<p><b>After-tax contributions*</b></p> <p>After-tax contributions you will make by salary deduction in 2014 (these are not after-tax designated Roth contributions).</p>	\$	\$0
<p><b>Years of service</b></p> <ul style="list-style-type: none"> <li>▪ Years of service with current employer through the end of 2014.</li> <li>▪ This only applies if you have 15 years or more of service.</li> <li>▪ Years of service must account for fractional years of service and should be adjusted to account for any part-time employment (e.g., 50% of full-time service equals .5 years), or any breaks in service, such as a leave of absence without pay, which cannot be counted.</li> </ul>		15

\*Please see page 7 to determine if adjustments to the worksheet are necessary.

## Table B – Maximum contribution limit calculation

Contribution maximums are calculated based on the regulations found under IRC Sections 415 and 402(g). In 2014, the 415 limit is the lesser of \$52,000 or 100% of compensation and the 402(g) limit on all elective deferrals is \$17,500. Complete the three steps below and keep the following in mind:

- If you are under age 50, the maximum contribution limit is the lowest of the results you enter in Steps 1, 2 and 3.
- If you are age 50 or older by the end of 2014, the maximum contribution limit is the lowest of the three steps, plus the age 50+ catch-up of \$5,500.

	Your calculation	Prof. Green's calculation
<b>Step 1:</b> Enter 100% of your salary. Be sure you subtract any required adjustments.*	\$	\$70,000
Enter the total of your employer's contributions and your after-tax contributions (these are not after-tax designated Roth contributions). Subtract this total from the amount in the line above.	-	-\$4,200
Enter amount here. (You will also enter this amount on page 7.)	\$	<b>\$65,800</b>
<b>Step 2:</b> Enter the 2014 415 limit: \$52,000	\$52,000	\$52,000
Enter the total of your employer's contributions and your after-tax contributions (these are not after-tax designated Roth contributions). Subtract this total from the amount above.*	-	-\$4,200
Enter amount here. (You will also enter this amount on page 7.)	\$	<b>\$47,800</b>
<b>Step 3:</b> <b>If less than 15 years of service:</b> <ul style="list-style-type: none"> <li>▪ Enter \$17,500 if you are under age 50.</li> <li>▪ Enter \$23,000 (\$17,500 and \$5,500) if you are age 50 or older.</li> </ul> <b>If 15 or more years of service:</b> Complete the 15-year rule calculation on page 6 before entering your amount. In our example on page 6, Prof. Green is under age 50 and eligible for \$3,000 under the 15-year rule for an amount of \$20,500 (\$17,500 + \$3,000). (You will also enter this amount on page 7.)	\$	<b>\$20,500</b>

\*Please see page 7 to determine if adjustments to the worksheet are necessary.

### Table C – 15-year rule calculation

To be eligible for a 15-year rule calculation, you must answer “Yes” to both of the following questions:

- Do you currently work for an eligible institution (i.e., a teaching institution, hospital, church, home healthcare service organization, or health and welfare service agency)?  Yes  No
- If you work for an eligible institution, do you have 15 or more years of full-time service there? Your years of service must account for fractional years of service.  Yes  No

If you answered “No” to either question, you are not eligible for a 15-year rule calculation. You can skip the calculation below and enter the 402(g) limit amount of \$17,500 in Step 3 of the maximum contribution limit calculation.

If you answered “Yes” to both questions, complete the calculations below and use the amount you enter in item IV for Step 3 of the maximum contribution limit calculation on page 5.

	Your calculation	Prof. Green's calculation
I. \$3,000	<b>\$3,000</b>	<b>\$3,000</b>
II. \$15,000 minus any prior contributions that exceed the unadjusted 402(g) limit (for Prof. Green \$15,000 - \$0, since the 15-year rule was never used).	– \$15,000	\$15,000 \$0
	<b>\$</b>	<b>\$15,000</b>
III. Multiply \$5,000 by the years of service. Subtract the prior employee elective deferral contributions from the subtotal.	\$ 5,000	\$ 5,000 x 15
	<b>\$</b>	<b>\$75,000</b>
	–	– \$45,000
Total	<b>\$</b>	<b>\$30,000</b>
IV. Take the lowest of I, II or III above (in Prof. Green's calculation, it is \$3,000), and add the result to the unadjusted 402(g) limit, which is \$17,500 in 2014. Enter this amount in Step 3 on page 5.	+ \$17,500	\$17,500 + \$3,000
	<b>\$</b>	<b>\$20,500</b>

In the following chart, enter the amounts from page 5. Your maximum contribution limit is the lowest of the three steps below: \$\_\_\_\_\_.

	Your calculation	Prof. Green's calculation
Step 1	\$	\$65,800
Step 2	\$	\$47,800
Step 3	\$	\$20,500

If you have questions about your calculation results, please call us at **800 842-2252**, Monday to Friday from 8 a.m. to 10 p.m. and Saturday from 9 a.m. to 6 p.m. (ET).

### Adjustments to the calculations

#### Adjustment 1:

Be sure to check pages 4 and 5 if you participate in a defined contribution plan and you:

- Are required to make plan contributions as a condition of employment
- Have signed a one-time, irrevocable salary reduction agreement
- Are participating in a Section 414(h)/414(h)(2) pick-up plan, such as a governmental employer plan. Include pretax contributions to purchase service credits in a defined benefit plan

**An Employer Pick-up Plan** is a mandatory contributory governmental retirement plan. With these qualified plans, a public employer — such as a state university — contributes on behalf of an employee. In exchange, the employee's salary is reduced by the amount the employer contributes, which is the amount "picked up" for him or her.

Please adjust calculations by subtracting your required contribution from your salary and adding it to your employer's plan contribution.

#### Adjustment 2:

Be sure to check pages 4 and 5 if you participate in a defined contribution plan and a 401(a) or 403(a) qualified defined contribution plan. If this is the case, you should not include employer contributions and after-tax contributions (these are not designated Roth contributions) in your calculation. You may want to consult your benefits office to determine if your plan is a qualified plan.

## Why your maximum limit may change

Since the results of your maximum contribution calculations depend on several factors that may change from year to year, your maximum limits may also change. Here are some things to keep in mind.

### Your limit may increase if:

- You are receiving additional compensation through summer bonuses, etc.
- You have at least 15 years of full-time service with an eligible employer.
- You have reached age 50 and are now eligible for catch-up contributions.

### Your limit may decrease if:

- You have been employed part time.
- You are participating in a 403(b) or 401(k) plan with another employer.
- Your includible compensation is lower than the limit.
- You have reached the \$15,000 maximum allowed under the 15-year rule.
- Your average annual elective deferrals reach \$5,000 or more, and you have at least 15 years of full-time service.

## Helpful reminders

Most people don't have a problem staying within the allowable limits. But if you contribute above your limit in a given year, you may face adverse tax consequences. To avoid overcontributing, be sure to get a calculation every year so you can keep track of your contributions. For a calculation using our website, go to [www.tiaa-cref.org/calcs](http://www.tiaa-cref.org/calcs). Find the section Maximize Tax Deferral, and click on Calculate TDA Contributions. You can also call **800 842-2252**, Monday to Friday from 8 a.m. to 10 p.m. and Saturday from 9 a.m. to 6 p.m. (ET).

Please have the following information available. It may also help to have a recent pay stub handy.

- Your salary during 2014. You may want to consult your benefits office to ensure you provide us with the appropriate salary.
- The date you were hired at your current employer, or the years of service, if you're employed with an eligible employer (for the 15-year rule).
- Your date of birth to determine if you qualify for the 50+ catch-up provision.
- Any contributions you are making or have made to plans or accounts with other carriers and/or employers.

Remember with tax deferral, it costs you less to contribute more, and it's never too late to start or increase your contributions.

#### What options do you have for saving more?

If you're contributing the maximum to your workplace retirement plans, you've made a great start. But what if you want to save more for retirement?

- Consider a Traditional or Roth IRA. If you're self-employed, you can take advantage of a Simplified Employee Pension (SEP) IRA or Keogh plan.
- You can also invest after-tax money in mutual funds, a regular brokerage account or after-tax annuities.

## Take the next step

### Speak with one of our financial consultants:

- **By phone:** Call **800 842-2252**, Monday to Friday, from 8 a.m. to 10 p.m., and Saturday, from 9 a.m. to 6 p.m. (ET).
- **In person:** Visit [www.tiaa-cref.org/local](http://www.tiaa-cref.org/local) to set up a meeting at one of our offices nationwide.

Or visit [tiaa-cref.org](http://tiaa-cref.org) to use our planning tools.



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