Roth 403(b): An Option for Your SRA

Questions and Answers

- **What is the difference between a regular SRA and a Roth SRA?**

  Regular SRA: No tax now; taxed in retirement With the regular SRA, your paycheck deduction is taken *before* Federal and state taxes (FICA taxes are taken.) For example, your $100 SRA deduction saves you about $20 in paycheck taxes. When you retire and withdraw money from your SRA, you must pay Federal and state tax then.

  Roth SRA: Taxed now; no taxes in retirement With the Roth SRA, your deduction is taken *after* tax, so there is no paycheck tax savings. However, in retirement, there will be no taxes due on either the principal (the money you contributed) or the growth (whatever interest or dividends the investments earned.)

- **What is the difference between a personal Roth IRA and the Vassar Roth SRA?**

  Different Maximum: Roth IRAs currently have an annual limit of $6,000. The Vassar Roth SRA is part of the annual SRA maximum: for 2016, the regular SRA and the Roth SRA *combined* cannot exceed $18,000 if you are under age 50, or $24,000 if you are 50 or over.

  No income limit: Roth SRAs are available to all employees, irrespective of income. Roth IRAs have an income limit to participate.

- **How is the Roth SRA invested?**

  Investment options for the Roth are the same as the SRA: Fidelity and TIAA-CREF funds. If you start a Roth with the same company you use for your SRA, your Roth contribution will be invested exactly as your SRA is. If you are newly investing with either company (for example, you have your SRA with Fidelity and choose TIAA-CREF for your Roth) your contribution will default to the target-date fund that best matches your age.

  You have the same flexibility in *changing* investments as with the SRA: you can change your Roth investments *within* TIAA-CREF or Fidelity, or you can transfer Roth accumulations *between* TIAA-CREF and Fidelity.

- **How do I start a Roth SRA?**

  You can select a Roth SRA deduction as part of Open Enrollment (it will appear as a choice under "retirement plans.") As with the regular SRA, you can start or change a Roth SRA deduction at any time by emailing Benefits: benefits@vassar.edu

- **Can I "roll over" or transfer funds between the regular SRA and the Roth SRA?**

  From the regular SRA to Roth: yes. You will need to pay taxes on the accumulated amount at the time of the transfer. From Roth to regular: no.

- **Should I stick with the regular SRA, focus on the Roth SRA, or use a combination?**

  See the next page for some tips on deciding; we also encourage you to discuss this with your financial advisor and/or the representatives from Fidelity and TIAA-CREF.

General Guidelines : Regular vs. Roth SRA

Prioritize the **Roth** option if you:

- Expect to be in a higher tax bracket when you retire
- Expect to have many years before retirement: more of your retirement account accumulation will be due to growth over time, and with the Roth, this growth is not taxed.
- Earn too much to contribute to a personal Roth IRA (i.e., over $100,000 annually)
- Want to make higher after-tax retirement contributions than allowed under a Roth IRA
- Want to pass on tax-free income to your heirs

Consider **combining** with regular SRA if you:

- Are not sure what your tax bracket will be in retirement
- Want to provide for some retirement income that is not taxable

Prioritize the **regular SRA** if you:

- Expect to be in a lower tax bracket in retirement
- Need the up-front paycheck tax savings of the SRA to afford your SRA contribution