The Roth contribution option: Another way to save for retirement

What is a Roth contribution option?

In the Marquette University Retirement Plan, your pretax contributions accumulate tax deferred, and withdrawals are taxable.[1] With the “designated Roth” option, your after-tax, Roth contributions also accumulate tax deferred, but may be taken tax free in a qualified distribution. A qualified distribution is one that occurs at least five years after the year of your first Roth contribution and is made either on or after attainment of age 59½, on account of disability, or on or after death. These potentially significant tax benefits are similar to a Roth IRA. However, Roth contributions have higher contribution limits than a Roth IRA.

Consider a Roth contribution if you:	Roth contribution benefits
Are not eligible to make Roth IRA contributions because of high income	The Roth option does not have adjusted gross income (AGI) limits.
Would like to make Roth contributions greater than the Roth IRA limit	In 2021, the contribution limit for a 403(b) account ($19,500) is higher than the limit for a Roth IRA ($6,000), letting you increase your after-tax retirement savings.
Feel confident your retirement income needs are met and want to leave a potential tax-free legacy	Assets may be passed along to your beneficiaries income tax free.
Would like to help protect retirement assets from potential tax consequences	Having both pretax and after-tax assets in retirement accounts may provide a hedge against the uncertainty of future tax rates.
Are just starting out and in a lower tax bracket	The earlier you start, the more time you give your money to work for you. Also, withdrawals from a Roth are typically tax free.[2]

The TIAA group of companies does not offer tax advice. See your tax advisor regarding your particular situation.

Is the Marquette University Retirement Plan Roth contribution option right for you?

While it’s difficult to predict what your future tax situation may be, you’ll want to estimate as best as you can, taking into consideration the best choice for your current tax circumstances and how they may change over time. You may want to consult your tax advisor.

If you expect your tax rate during retirement will be:	Your preferred option may be:
Higher than your current rate	After-tax Roth contribution option. Since you already paid taxes on Roth contributions, qualified distributions are tax free.
Lower than your current rate	Pretax contribution option. While this money is taxable, you expect to benefit by being in a lower tax bracket during retirement.
Same as your current rate	Either or both.

Note: Roth contributions are included in your maximum contribution limits, plus any catch-up limits, if applicable.

Getting started

Enrolling in the Marquette University Retirement Plan Roth contribution option is easy, should you choose to do so. Simply complete and submit a new salary deferral agreement available through your Human Resources office. Visit **TIAA.org/marquette** to download the form and learn more about the investment choices available through the Marquette University Retirement Plan.

If you have questions about the Marquette University Retirement Plan Roth contribution option, call TIAA at **800-842-2252**, weekdays, 7 a.m. to 9 p.m. (CT), or visit **TIAA.org/marquette**. We look forward to helping you as you plan for—and live well in—retirement.

Roth in-plan conversion option

Your plan offers the option to directly convert eligible pretax contributions plus earnings to a designated Roth option.

Before electing a Roth in-plan conversion, please read this information carefully and consult your personal tax advisor to ensure this strategy is consistent with your overall personal financial goals.

Benefits of Roth in-plan conversion

- Once the conversion is at least five years old, any qualified distribution of Roth assets plus earnings can be withdrawn tax free
- Roth can be advantageous if you anticipate being in the same or a higher tax bracket in the future and/or have a long investment horizon
- Diversify your tax liabilities

Things to consider:

- There is a five-year holding period required for tax-free withdrawal of Roth 403(b) savings from retirement plans for either contributions or conversions. The five-year period begins as soon as your first contribution to Roth 403(b) starts within your retirement plan or when you make your 403(b) salary deferral, if earlier. However, you still have to meet other qualifications for the tax-free withdrawal: be age 59½, no longer employed with the associated employer, disabled or deceased.
- An additional five-year holding period is utilized to determine if a 10% recapture tax is applicable when a distribution of converted amounts is taken. This five-year period is supplementary to the five-year period discussed above for the tax-free distributions of earnings. The additional 10% early withdrawal tax doesn't apply to the amount of an in-plan Roth rollover. However, the distribution may be taxable and subject to the additional early withdrawal tax if you withdraw it from the Roth account within five years.
- Tax implications can be a large burden when converting pretax assets to a designated Roth 403(b) option. The amount converted is treated as taxable income in the year of conversion. You will be responsible for paying taxes on the full amount of the conversion as TIAA will withhold no taxes from the amount converted to Roth. Always consult your tax advisor prior to requesting a conversion.
- Some employers may limit the number of conversions allowed during a certain period of time. Please review with TIAA to determine the limits of your plan.
- Once pretax assets are converted to Roth, they cannot be reversed.

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[1] Distributions from 403(b) plans before age 59½, severance from employment, death, or disability may be prohibited, limited, and/or subject to substantial tax penalties. Different restrictions may apply to other types of plans.

[2] Withdrawals of earnings prior to age 59½ are subject to ordinary income tax and a 10% penalty may apply. Earnings can be distributed tax free if distribution is no earlier than five years after contributions were first made and you meet at least one of the following conditions: age 59½ or older or permanently disabled. Beneficiaries may receive a distribution in the event of your death. For governmental 457(b) plans, withdrawals are only allowed following separation from service or when you reach age 72. The age at which required minimum distributions (RMDs) must begin has increased from age 70½ to age 72 for individuals who attain age 70½ after December 31, 2019 (those who attained age 70½ before this date are not affected and will continue to be subject to RMDs).

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