Important Benefit Information for Georgia Highlands College

What is a 403(b) plan?

A 403(b) plan is a tax-deferred retirement plan available to employees of public educational institutions and certain nonprofit organizations. A 403(b) plan allows you to make pretax contributions by convenient payroll reduction and save that money for your retirement.

403(b) plans were created to encourage long-term savings, so depending on your employer's plan, distributions generally are available only when you reach age 59½ or leave your job. However, distributions can also be available in the event of financial hardship, death or disability. Bear in mind that distributions before age 59½ might be subject to federal restrictions and a 10% federal tax penalty.

Short-term needs can sometimes be met by nontaxable loans. This type of loan makes it possible for you to access your account without permanently reducing your balance. Though you should remember that defaulted loan amounts will be taxed as ordinary income and might be subject to a 10% tax penalty if you are under age 59½.

Why contribute to a 403(b) plan?

Participating in your plan can provide a number of benefits, including the following:

- **Lower taxes today**
  You contribute before income taxes are withheld – which means you're currently taxed on a smaller amount. This can reduce your current income tax bill. For example, if your federal marginal income tax rate is 25% and you contribute $100 a month to a 403(b) plan, you've reduced your federal income taxes by roughly $25. In effect, your $100 contribution costs you only $75. The tax savings grow with the size of your 403(b) contribution.

- **Tax-deferred growth and compounding interest**
  In a 403(b) plan, your interest and earnings accrue tax deferred. That means interest on your interest also grows tax deferred. The compounding interest allows your account to grow more quickly than saving in a taxable account where interest and earnings are generally taxed each year.

- **You take the initiative**
  Contributing to a 403(b) retirement plan can help you take control of your future. Other sources of retirement income, including state pension plans and, if applicable, Social Security, rarely replace a person's final salary upon retirement. That's why it's up to you to make sure you'll have enough money for retirement.

For additional information about participation, investment options and more, contact the Terri Cavender in Human Resources at 706.802.5195.

VL 20040 (10/2007) J56788