



The Roth contribution option: A new way to save for retirement

The University of New Mexico (UNM) has introduced a Roth contribution option for the voluntary UNM 403(b) and 457(b) Retirement Plans. It's yet another option you can use to save for your financial future. These plans are offered as voluntary supplemental plans in addition to the mandatory New Mexico Educational Retirement Board (NMERB) Pension and Alternative Retirement (ARP) Plans. It may be important to save more using these plans.

What is a Roth contribution option?

In the voluntary 403(b) and 457(b) plans, your pretax contributions have the potential to accumulate tax deferred and withdrawals are taxable.¹ With the Roth provisions, your after-tax contributions have the potential to accumulate tax free. Participants have the choice to make Roth contributions, rollovers into the plans, and in-plan rollovers (aka conversions). Withdrawals after age 59½ are tax free if distribution is no earlier than five years after contributions were first made. Roth contributions have tax benefits similar to a Roth IRA with the added benefit of higher contribution limits than a Roth IRA.

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).

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	Contribution limits are higher than those of the Roth IRA, allowing you to maximize 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

continued

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Is a Roth contribution in the voluntary UNM 403(b) and/or 457(b) Retirement Plan right for you?

While it's difficult to predict what your future tax situation may be, you'll want to estimate if possible, 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 have already paid taxes on the contributions, withdrawals 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 a voluntary UNM 403(b) and/or 457(b) Retirement Plan Roth contribution is easy, should you choose to do so.

Visit <https://hr.unm.edu/retirement/supplemental-retirement-plans> and click *Retirement@Work* to access your account. Once logged in, click on *Manage Contributions* to update your contributions to include the Roth option, and designate the amount you wish to contribute as Roth.

If you have questions about incorporating the Roth contribution option in to your retirement savings plan, please contact your chosen investment provider(s).

- TIAA: **800-842-2252**
- Fidelity: **800-343-0860**
- VALIC: **888-569-7055**
- Voya: **505-839-0224**

For additional questions about the voluntary plans, contact Benefits & Employee Wellness at HRBenefits@unm.edu.

We look forward to helping you as you plan for—and live well in—retirement.



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