New CU 403(b) ROTH option provides after-tax option for retirement savings [1]

December 5, 2019 by Employee Services [2]

The University of Colorado 403(b) Voluntary Retirement Plan is expanding to include a ROTH option, which allows employees to make after-tax contributions to their retirement savings. Employees can enroll in this option starting Dec. 11, with contributions beginning Jan. 1.

With CU’s new ROTH option, after-tax contributions have the potential to accumulate tax-free and withdrawals after age 59½ are tax-free, as long as you’ve met a five-year holding period. Plus, providing the ROTH option in a qualified retirement plan allows for higher contribution limits than a ROTH IRA.

“This has been an exciting project. The addition of ROTH offers another option for employees to supplement their income during retirement. Especially exciting, is being able to deliver something that the faculty and staff have been asking for,” said Michelle Martinez, Director of Strategic Benefits Initiatives.

Compare plans

What exactly is the difference between a ROTH option, a ROTH IRA and a traditional IRA? The terms are similar enough to cause confusion. See the chart below to see how the features of the CU 403(b) ROTH option compare to these other plans.

<table>
<thead>
<tr>
<th>Traditional IRA</th>
<th>ROTH IRA</th>
<th>CU 403(b) ROTH Option</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax benefits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allows tax-deferred contributions and earnings grow tax-deferred</td>
<td>Allows contributions with after-tax dollars and are not tax deductible</td>
<td>Allows contributions with after-tax dollars and are not tax deductible</td>
</tr>
</tbody>
</table>
### Limits and deductions

<table>
<thead>
<tr>
<th>Traditional IRA contributions</th>
<th>Roth IRAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>See IRS guidelines on</td>
<td>See IRS guidelines on Roth IRAs [5]</td>
</tr>
<tr>
<td>Traditional IRA</td>
<td></td>
</tr>
<tr>
<td>See IRS guidelines on</td>
<td>See IRS guidelines on Roth IRA</td>
</tr>
<tr>
<td>Traditional IRA deduction</td>
<td>deductions [4]</td>
</tr>
<tr>
<td>limits [4]</td>
<td></td>
</tr>
</tbody>
</table>

*Aggregate employee elective contributions are limited to:*
- Age 49 and below: $19,500
- Age 50 and above: $26,000

### Eligibility: Withdrawals

- **General:**
  - If held for more than 5 years, eligible for withdrawals starting at age 59½, can withdraw contributions only, anytime without penalty.
  - If held less than 5 years, withdrawals result in taxable earnings and a 10% early withdrawal fee if age 59½ or less.

### Penalties at Withdrawal

- **If age 59½ or younger,** withdrawals are subject to a 10% federal early withdrawal fee.
- **If held less than 5 years,** withdrawals result in taxable earnings and a 10% early withdrawal fee if age 59½ or less.

### Required Minimum Distribution (RMDs)

- **Distributions must begin by age 70½**
- No requirements
- Distributions must begin by age 70½

### Comparisons

- See other ways a Roth IRA compares to designated Roth Account, like CU's 403(b) Roth option [6]

---

**Is the 403(b) ROTH contribution option right for you?**

The ROTH option might be right for you if:
You expect a higher tax rate in the future
You are not eligible to make ROTH IRA contributions due to high income
You want to make contributions larger than the ROTH IRA limit
You feel confident that your retirement income needs are met and want to leave a potential tax-free inheritance
You want to help protect retirement assets from possible tax penalties

For more in-depth information, you may want to consult your tax advisor or book an appointment with a TIAA financial consultant on campus.

How do I enroll or update my contributions?

Starting Dec. 11, you can enroll in the employee portal with contributions beginning Jan. 1. Employees have the option to split their CU 403(b) contributions between pre-tax and ROTH options.

Access the enrollment form

1. Log in to the employee portal
2. Go to the CU Resources area
3. Open the center dropdown menu and select Forms
4. Select the Retirement tile, then pick Enroll in the CU 403(b) and complete the form

Paper enrollment forms are also available.

If you have additional questions about the CU 403(b) ROTH contribution option, call TIAA at 800-842-2252 from 8 a.m. to 10 p.m. (ET) weekdays and 9 a.m. to 6 p.m. Saturdays, or visit them online.

Source URL: https://www.cu.edu/blog/work-life/new-cu-403b-roth-option-provides-after-tax-option-retirement-savings