

**THE SCHOOL DISTRICT OF PHILADELPHIA  
OFFICE OF EMPLOYEE BENEFITS**

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**Comparison of Tax Sheltered Annuities offered by the School District of Philadelphia\***

**403(b)**

**457(b)**

<p>A tax deferred compensation plan where contributions grow tax deferred until withdrawal at age 59.5 or termination of employment, at which point it will be taxed as regular income. We also offer a Roth 403(b) where contributions occur on an after-tax basis. Contributions will not be taxed at the time or withdrawal, which is either at age 59.5 or at termination of employment</p>	<p><i>What is it?</i></p>	<p>A tax deferred compensation plan where contributions grow tax deferred until withdrawal at retirement or termination of employment, at which point it will be taxed as regular income.</p>
<p>As of 2017, you can contribute a maximum of \$18,000 in a 403(b), plus if you will be age 50 or older this year, you can contribute an additional \$6,000.</p>	<p><i>How much can be contributed?*</i></p>	<p>As of 2017, you can contribute a maximum of \$18,000 in a 457(b), plus if you will be age 50 or older this year, you can contribute an additional \$6,000.</p>
<p>The investment company may charge a fee for investing your money. There may also be surrender charges, which is a penalty for changing companies.</p>	<p><i>Is there a cost?</i></p>	<p>The investment company may charge a fee for investing your money. There may also be surrender charges, which is a penalty for changing companies.</p>
<p>Yes, but only under certain circumstances.</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> You may take a loan with a repayment period of 5 or 15 years (for the purchase of a principal residence).</li> <li><input checked="" type="checkbox"/> A Financial Hardship Withdrawal. Hardship withdrawals are not exempt from the IRS 10% penalty and the money will be taxed as regular income when withdrawn.</li> <li><input checked="" type="checkbox"/> Other circumstances include death</li> <li><input checked="" type="checkbox"/> At age 59.5, you may take an In-Service distribution.</li> </ul>	<p><i>Can money be withdrawn earlier than retirement?</i></p>	<p>Yes, but only under certain circumstances.</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> You may take a loan with a repayment period of 5 or 15 years (for the purchase of a principal residence).</li> <li><input checked="" type="checkbox"/> An Unforeseeable Emergency Withdrawal. There is no 10% early withdrawal penalty, but the money will be taxed as regular income when withdrawn.</li> </ul>
<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Earnings and gains on amounts in your 403(b) account are not taxed until you withdraw them.</li> <li><input checked="" type="checkbox"/> Money can be moved into a new employer's 403(b), 401(k), or 457(b) plan, if accepted, or into an IRA.</li> </ul>	<p><i>What are some advantages?</i></p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Earnings and gains on amounts in your 457(b) account are not taxed until you withdraw them.</li> <li><input checked="" type="checkbox"/> Not subject to the IRS 10% premature distribution penalty upon severance from employment.</li> <li><input checked="" type="checkbox"/> Money can be moved into a new employer's 403(b), 401(k), or 457(b) plan, if accepted, or into an IRA.</li> </ul>
<p>There is a 10% penalty for early withdrawal, with the following <u>exceptions</u>: Disability or separation from service (after age 55).</p>	<p><i>What are some disadvantages?</i></p>	<p><b>Age 59.5 is not considered a qualifying event;</b> therefore you are ineligible to withdrawal funds unless it is for a loan, unforeseeable emergency, or severance from employment.</p>

\*Please note these are general guidelines only. Consult the vendor of your choice for more specific information.

\*\*As of 2017, you can contribute a maximum of \$36,000 annually - \$18,000 in a 403(b) and \$18,000 in a 457(b), plus if you will be age 50 or older this year, you can contribute an additional \$6,000 to each plan for a total of \$48,000.