

## **403(b) Frequently Asked Questions**

### **What is a 403(b)?**

The 403(b) is a tax deferred retirement plan available for certain employees of public schools employees of certain tax-exempt organizations, and certain ministers.

The 403(b) has often been referred to as a Tax Deferred Annuity (TDA) or a Tax Sheltered Annuity (TSA). This is a misnomer and gives the false impression that a participant must invest in annuity products. This is not true. Way back in 1974 Congress granted participants the ability to contribute directly in mutual funds when they added paragraph 7 to the code creating the 403(b)(7) custodial account. Throughout this site the term 403(b) is intended to mean all of the following: 403(b), 403(b)(7), TDA, and TSA. Ultimately, the 403(b) plan is a defined contribution plan (often called a DC plan), where the participant makes contributions and investment decisions, as opposed to a pension or defined benefit plan (often called a DB plan), where the employer makes all, or a majority of contributions and all of the investment decisions.

### **Why the 403(b) is important?**

The 403(b) can be an excellent way to save money for retirement whether as a supplement to a traditional pension plan or other retirement plan(s), or as a stand-alone plan.

### **How the 403(b) Works**

Employees set aside money for retirement on a pre-tax basis through a salary reduction agreement with their employer. Contributions and earnings on investments grow tax deferred until the time of retirement, when withdrawals are taxed as ordinary income.

### **What Tax Deferred Means**

An employee in the 15 percent federal tax bracket would reduce their taxable obligation by 15 cents for each dollar contributed to a 403(b). In effect, a \$1 contribution would only cost the participant 85 cents. Employees in higher tax brackets would reduce tax obligation by even more.

*Source: 403bwise, 403(b) basics, [http://www.403bwise.com/participants/getwise\\_basics.html](http://www.403bwise.com/participants/getwise_basics.html)*

## **NEW ACCOUNTS**

### **How do I open a new account with an approved investment company?**

You will need to submit the appropriate company's application to their home office to open an account. Additionally, you will also need to submit an updated Salary Reduction Agreement to the District 303 Payroll Department. This form can be found on the district website.

### **Which investment companies are approved providers?**

ING, Security Benefit, AXA and 403(b)asp have been approved as investment providers for CUSD 303 employees' 403(b) accounts. Within each company's platform are a wide variety of investment choices from familiar money managers. 403(b)asp is a unique "gateway" in which you have the ability to access the full suite of American Funds (share class A & R2) and no-load Fidelity mutual funds.

### **How can I get more information about the approved investment companies, so that I can make an informed decision about my future contributions?**

For further information about each approved investment company, please visit the district website or talk with a financial advisor.

### **What is the purpose of the 403(b)asp platform? Why can't I directly invest in American Funds or Fidelity?**

Unfortunately, both of these companies have been unwilling to work directly with the district to comply with the new IRS regulations. However, they are leaders in their respective investment areas. The only way the district could access these funds was through the 403(b)asp system. The custodial fees that are assessed go directly to 403(b)asp.

### **I have completed an application for 403basp. What do I do now?**

Completed application forms should be faxed to (813) 466-7523. Please make sure the District 303 Payroll Department receives a copy as well (so we can establish the deduction on our end).

## **ADDITIONAL GUIDANCE**

### **I need help. Who can I talk to?**

You may look for individual guidance to compare the costs and benefits of the new options compared to the program you are currently using. The resources of our local advisory firm, OnPath Financial, are available to look at those comparisons, or we suggest contacting your advisor for assistance.

OnPath Financial can be reached at (630) 584-8100. There is no fee or charge to contact the advisors of OnPath Financial as they are the educational resource for the district and its employees. If you choose them as your advisor, their compensation would be the same as if you chose any other advisor for guidance.

### **What is the relationship between CUSD 303 and OnPath Financial?**

In January 2008, CUSD 303 selected OnPath Financial to act in a consultative role for the district. As a local, independent financial services firm, OnPath Financial was chosen to assist with the coordination, implementation and ongoing education of the updated 403(b) plan. The agreement was made that OnPath would assist the district in these areas for no compensation. Their only compensation will be from anyone who chooses to retain their services as their advisor, although you are free to work with any other advisor who has a contract with any of the vendors on the platform. The compensation that OnPath Financial would receive as your advisor is the same as any other advisor you would select. The district is also not receiving any compensation from OnPath Financial.

**What personal financial advisors are available to work with CUSD 303 employees?**

We are always hearing from personal financial advisors who would like to work with CUSD 303 employees. Therefore, *this list will be continually updated*. This list is in alphabetical order by advisor name.

Financial Advisor	Firm	Phone Number
Baker, Sheila	The Neader Financial Group	(630) 513-8815
Callahan, Patrick	World Financial Group	(630) 677-6330
Chally, Dan	OnPath Financial	(630) 584-8100
Chibucos, Justin	AXA Advisors	(630) 575-5030
Ciaccio, Steve	Edward Jones	(630) 584-0445
Cruz, Rey	Cruz Investments/Wealth Mgmt.	(630) 897-0333
Glennon, Tim	The Financial Group	(630) 406-6822
Hauser, Mark	Farmers Financial Solutions	(630) 587-8722
Hilde, Mark	Edward Jones	(866) 828-1303
Humke, Rett	The Humke Group, Inc.	(630) 377-7133
Kapraun, Ron	Raymond James & Associates	(630) 372-1241
Keller, Jim	OnPath Financial	(630) 584-8100
Kitick, Rich	OnPath Financial	(630) 584-8100
Larson, Michael	FireTree Financial	(630) 584-8303
Lorenz, Robert C.	Genworth Financial Advisors	(630) 762-8600
Maloney, Diane	Beacon Financial Planning	(815) 577-0029
Patterson, Drew	Ameriprise Financial	(630) 515-0055
Potter, Tom	Securities America	(630) 879-0059
Sullivan, Jack	Planning Associates	(630) 986-8728
Tarvis, Tom	OnPath Financial	(630) 584-8100
Tresemer, Dan	OnPath Financial	(630) 584-8100
Wessel, Paul	Ameriprise Financial	(630) 377-8084
Witt, Kyle	OnPath Financial	(630) 584-8100
Zarkin, Lisa	PlanSmart Financial	(630) 904-6627

**--- FOR EMPLOYEES WHO PARTICIPATED BEFORE DECEMBER, 2008---**

**Why did 403(b) plans change?**

For the first time in over 40 years, the IRS made sweeping changes to the laws that govern 403(b) accounts in January 2009. The school district now has the responsibility to monitor and track all transactions within the 403(b) program. To comply with these new regulations, the district has designated approved investment companies who will share information with the district to help assist in the monitoring of the 403(b) program.

**What are my options for my existing 403(b) account?**

If your current account is not with an approved investment company, then you have two options. You can choose to transfer your existing account to an approved company and retain the full privileges set by the district (i.e. loans and hardship withdrawals). Keep in mind that you may be subject to additional charges from your existing company if you choose to transfer your account.

You can also choose to retain your existing account at your current investment company. Additional contributions cannot be made to this account, but you will still have the ability to allocate your account as you have in the past. All investment options within the current account will be available to you (subject to your current investment provider's limitations). However, you will not have the ability to take a loan or hardship withdrawal from this account.

You are strongly encouraged to seek the advice of a qualified advisor to look at any costs and/or benefits of making a decision to either retain your account or transfer it to an approved vendor.