

403B Plans

For most people, retirement income needs will be met from three sources:

1. Social Security
2. Employer paid pension plans
3. Private savings and investments (annuities, IRA's, 401K or 403B plans)

Social Security never was - and is not now - intended to provide an adequate retirement income. It is intended only to provide a minimum starting point on which to build.

Very few employer paid pensions will provide enough income to adequately supplement Social Security. In most cases, they will not. Substantial private savings will usually be needed to assure an adequate retirement income. Participation in a 403B supplemental retirement plan is, by far, the best way to accumulate savings to be used during retirement.

A 403B plan (also called a TDA plan - tax deferred annuity) is a tax deferred employee retirement plan that is available to employees of most not-for-profit corporations. It is similar to 401K plans used by some for-profit corporations. Contributions can be invested either in insurance company contracts or mutual fund shares.

The substantial tax benefits are what make 403B plans superior to almost any other way of saving for retirement.

1. Contributions to the plan reduce the amount of taxable income, resulting in immediate savings on both Federal and State income tax.
2. Account balances accumulate tax free.
3. Tax on contribution and investment earnings is deferred until amounts are withdrawn from the plan during retirement.

The 403B plans offered to Providence Center employees are not connected to The Center regular pension plan. There are no waiting periods, no vesting requirements, and the employee has complete control over where the money is invested. Due to the favorable tax treatment of 403B contributions, the IRS puts some restrictions on the accounts:

1. If any money is withdrawn before age 59½, the amount withdrawn is taxable, plus there is a penalty tax of 10% of the amount withdrawn.
2. The maximum amount that can be contributed for **2006** is **\$15,000** a year, with those over 50 being able to contribute an additional \$5,000.

We currently do business with the following companies:

- * Fidelity
- * Mutual of America
- * USAA Life
- * Vanguard

Please call HR at extension 0157 to request an application for the company that you choose to invest with.