

TAX SHELTERED ANNUITY PLAN (403B)

The tax sheltered annuity program (TSA) allows you to enter into a salary reduction agreement with The Clermont County Educational Service Center (ESC). The ESC then agrees to use the amount of salary reduction to purchase an annuity for you. The amount of money used for the annuity purchase is excluded from current federal and state income taxes. Income tax on this amount is deferred until the contract matures and/or the money is withdrawn. At that time it could qualify for a lower tax treatment.

The selection of a company to handle the annuity is your responsibility. A list of the companies approved to do business with the ESC is attached.

How do I enroll?

You should review the list of companies approved to do business with the ESC and then contact a financial agent to make arrangements for a contract. You must complete the form entitled "Request and Authorization for the Purchase of a Tax Sheltered Annuity by Salary Reduction". This form is available in the Treasurer's Office and must be submitted to the Treasurer's Office once you have completed and signed the form.

Who should not participate?

Buying a tax sheltered annuity is a highly individual matter. Its purchase is not necessarily beneficial to every person and, therefore, is a matter that deserves careful study before the contract to purchase is signed. Careful consideration should be given to the selection of a good agent, as well as to the company that the agent represents. Because there is a 10% penalty for withdrawals prior to age 59 1/2, you should consider the purchase of a TSA a long-term investment.

How much can I contribute to a tax sheltered annuity?

The Internal Revenue Code establishes specific limits that govern the amounts an individual can contribute to a 403(b). Please consult with your agent for the current contribution limits and any catch up provisions that may apply to you.

How will the purchase of an annuity be made?

You can purchase a tax sheltered annuity only through payroll deductions. The amount you write on the form "Request and Authorization for the Purchase of a Tax Sheltered Annuity by Salary Reduction" is the total amount that will be withheld each pay period. To change deferral amounts, you need to complete a new "Request and Authorization for the Purchase of a Tax Sheltered Annuity by Salary Reduction" form.

What does a 403(b) plan cost and who is paying for it?

Typically, the plan has two kinds of expenses; administrative costs and investment management fees. Investment management fees are usually charged by the investment company as a percentage of the total assets under management – the total value of your account. These fees range from about .02% on the low end up to 3% on the high end.

Does this affect my retirement plan?

No. Retirement contributions and benefits are based on your income prior to your tax sheltered annuity withholding.

How do I keep track of my account?

Your agent, or the investment company, should provide quarterly statements.

Is there any matching contribution available from the Clermont County Educational Service Center?

No. Not at this time.

This information is not intended to provide financial advise to employees, rather to inform employees about the tax sheltered annuity program. Employees should consult the advice of a financial planner or tax advisor when participating in the tax sheltered annuity program.