

# 403(b) Plan Benefits and Services



*A 403(b) plan is a retirement savings program that allows employees of nonprofit and tax-exempt organizations (such as schools, churches, and hospitals) recognized under Internal Revenue Code Section 501(c)(3) to invest money on a pretax or Roth aftertax basis. Contributions to the plan can conveniently be deducted directly from your paycheck. In addition to the money that you can invest in your 403(b) plan account, your employer may also elect to contribute on your behalf.*

## Benefits

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### **Pretax Savings**

Your pretax 403(b) contributions reduce your current taxable income because they are deducted from your paycheck before taxes (other than Social Security and Medicare taxes) are taken out. This means that you pay taxes on a reduced amount, thereby helping you keep more of what you earn.

### **Aftertax Savings (Roth 403(b))**

Your Roth aftertax contributions accumulate tax-deferred, and if held in your account for five years and until age 59½, they may be withdrawn federal income tax-free. In exchange for this benefit, Roth aftertax contributions do not reduce your current taxable income. This means you pay taxes on the full amount of your current income, including Social Security and Medicare taxes.

### **Tax-Deferred Earnings Growth**

The contributions you invest in your pretax 403(b) account grow tax-deferred—that is, they are not taxed until they are withdrawn. Similarly, Roth aftertax contributions also grow tax-deferred, and if held for five years and until age 59½, they are not taxed when withdrawn. This allows your total savings to compound over time.

### **Convenient Payroll Investments**

Your contributions are automatically invested directly from your paycheck, so you don't have to remember to make a contribution each payroll period.

### **Investment Options Professionally Managed by Lord Abbett**

You can choose to invest your 403(b) account in an array of mutual funds professionally managed by Lord Abbett.

### **Tax Credit for Retirement Savers<sup>1</sup>**

Married couples with adjusted gross incomes (AGI) of \$60,000 or less, heads of households with AGI of \$45,000 or less, and single taxpayers with AGI of \$30,000 or less may qualify for a tax credit on the first \$2,000 of pretax or Roth aftertax payroll investments.

<sup>1</sup>Amounts may be adjusted to reflect annual cost-of-living increases by the IRS.

## Services

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### **Periodic Account Statements**

Easy-to-read account statements, including recent transactions in your account, will be sent to you on a quarterly basis.

### **Access to Account Information**

For 24-hour account access, view your account online at [lordabbett.com](http://lordabbett.com) or call our automated shareholder service line at 800-667-9149.

### **Loan Privileges**

If the option is made available by your employer, you can borrow funds from your pretax 403(b) account at any time. Roth aftertax contribution balances are not eligible for loans, but are used to determine the available loan balance. Check with your employer to see whether loans are available to you.

### **Flexible Withdrawal Options**

After separating from service from your employer, you may take withdrawals from your account in any amount, subject to taxation.<sup>2</sup> Withdrawals can be taken in a variety of ways: based on single or joint life expectancy; in a lump sum; monthly, quarterly, semiannually, or annually; or in a series of substantially equal payments.

When you leave employment, you may also transfer your distribution directly to another qualified plan, including a 403(b), 457(b), profit sharing, 401(k), or an IRA. However, any Roth aftertax contributions and earnings can be rolled over only into a Roth IRA or another 403(b), 401(k), or governmental 457(b) plan that accepts Roth contributions. Lord Abbett can provide you with more information about your withdrawal options, or speak with your tax advisor before taking any withdrawals from your 403(b) account.

<sup>2</sup>Withdrawals taken before age 59½ are subject to a 10% penalty in addition to regular income taxes. Please speak with your tax advisor for more information before taking a withdrawal from your 403(b) account.

## 403(b) Plan Contribution Limits

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Your maximum allowable pretax or Roth aftertax payroll investment cannot exceed the lesser of 100% of your compensation from your employer, or the following amount:

Calendar Year	Payroll Investment Limit
2014	\$17,500

### Catch-Up Pretax Payroll Investments

If you are age 50 or older anytime during the plan year, you may make an additional “catch-up” contribution to your account in the form of an additional pretax or Roth aftertax payroll investment equal to:

Calendar Year	“Catch-Up” Amount	Total Payroll Investment <sup>3</sup>
2014	\$5,500	\$23,000

<sup>3</sup>“Catch-up” amount plus regular payroll investment.

In addition, if you have completed at least 15 years of service with an educational organization, hospital, home health service agency, health and welfare service agency, church, or church-related organization, the \$17,500 limit and the catch-up payroll investment can be increased by the lesser of:

- **\$3,000**
- **\$15,000** less amounts already excluded for prior years under this provision
- **\$5,000** multiplied by the number of years of service less all prior payroll investment contributions

Internal Revenue Service regulations clarify that the “15-year” catch-up limit is to be applied before the special age 50 catch-up limitation.

### Employer Contributions

Your employer may also make a contribution to your account on your behalf if your 403(b) program provides for it. Employer contributions do not affect the amount of the pretax or Roth aftertax payroll investments that you can contribute.

If your employer also sponsors a 457(b) plan, you may contribute 403(b) payroll investments in addition to your 457(b) payroll investments.

### Roth Aftertax Contributions

Effective January 1, 2006, 403(b) participants, regardless of income, may invest all or part of their payroll investments in a Roth aftertax 403(b) account. While giving up a tax deduction when a contribution is made, the participant may realize a tax-free distribution when the assets in the Roth 403(b) account are withdrawn.<sup>4</sup>

If you are eligible to receive a distribution and your plan document permits, existing 403(b) assets can be converted into Roth 403(b) assets, including funds transferred from other retirement plans such as traditional IRAs. Under current regulations, Roth 403(b) accounts may be transferred to a Roth IRA account upon separation from service or attainment of age 59½. A new five-year holding period may begin, unless the Roth IRA already exists before the transfer.

Once payroll contributions are made to a Roth 403(b) account, the transactions cannot be reversed. Only aftertax contributions and the earnings on Roth 403(b) accounts are eligible for tax-free withdrawal. All other assets in the 403(b) plan are fully taxable when withdrawn.

<sup>4</sup>Assets need to be held in a Roth 403(b) account until attaining age 59½ and meeting the five-year participation period.

## How to Open and/or Transfer Money to a Lord Abbett 403(b) Plan Account

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- To establish a 403(b) account, simply complete the Lord Abbett 403(b) Employee Application.
- To establish a 403(b) account and to transfer your existing 403(b) assets (mutual fund or tax-sheltered annuity) from another financial institution to Lord Abbett, complete the Lord Abbett 403(b) Employee Application and the 403(b) Transfer Application. In order for this transfer to occur, Lord Abbett must be an investment option within your organization's plan.
- To establish a 403(b) account and to transfer an IRA, including Contributory, Rollover, SEP, or SAR-SEP IRAs, complete the Lord Abbett 403(b) Employee Application and the 403(b) Transfer Application. (If you are transferring an IRA, you cannot transfer any nondeductible contributions that you have made.)
- Unless the asset being transferred is already a Roth 403(b) account or a Roth 401(k) account, it cannot be transferred into a Roth 403(b).
- Under current regulations, existing Roth IRAs may not be transferred into a 403(b) plan.
- If you have already established a 403(b) account with us and wish to transfer 403(b) assets from another financial institution to Lord Abbett, complete the 403(b) Transfer Application only. In order for this transfer to occur, Lord Abbett must be an investment option within your organization's plan.
- To transfer assets from another qualified plan, please see the plan administrator for their requirements (usually a form) and instructions.
- Participants, please let your employer know that your pretax or Roth aftertax payroll investments may be transmitted electronically. Your employer may call us at 888-223-0020 for more information.

**403(b) applications are available for download at [lordabbett.com](http://lordabbett.com) in the “Forms & Applications” section.**

### IRS Permits Portability of 403(b) Assets

403(b) investors may be able to move assets to Lord Abbett if the written plan permits transfers to Lord Abbett.

Please note: Lord Abbett cannot accept the transfer of an existing 403(b) loan from another financial institution.

### State Street Bank and Trust Company Custodial Fee

State Street Bank and Trust Company (State Street), as custodian of your 403(b), charges an annual administrative fee of \$10 per participant.

*This material is provided only for general and educational purposes and is not intended to provide legal, tax, or investment advice, or for use to avoid penalties that may be imposed under U.S. federal tax laws. Contact your attorney or tax advisor regarding your specific legal, investment, or tax situation. This document is prepared based on the information Lord Abbett deems reliable; however, Lord Abbett does not warrant the accuracy and completeness of the information.*

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888-522-2388 | [lordabbett.com](http://lordabbett.com)

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