

Understanding Your 403(b) & Roth 403(b)

Overview

The 403(b) and Roth 403(b) are retirement plans designed for school employees to supplement their CalSTRS/CalPERS pension plan. On average, your pension replaces 50% to 60% of income in retirement.¹ Studies show at a minimum, you'll need approximately 80% income replacement to maintain the same standard of living in retirement.² A 403(b) and Roth 403(b) offer school employees a way to bridge that gap while saving for retirement.

403(b)

Taxes

Contributions are made to a 403(b) before taxes are taken from your paycheck, reducing your taxable income. Taxes are paid on withdrawals, typically in retirement when you'll likely be in a lower tax bracket.

Withdrawals

You may begin to take withdrawals from a 403(b) at age 59½. Penalties may apply to withdrawals taken before this time.

Loans

A loan may be taken against 403(b) funds while you're still employed. Repayment terms and interest rates are determined by your plan's vendor.

Roth 403(b)

Taxes

Contributions to a Roth 403(b) are made after taxes are taken from your paycheck, allowing your earnings to grow — and withdrawals taken — tax-free if the account has been open for at least five consecutive years and you're age 59½ or older.

Withdrawals

You may make a withdrawal from a Roth 403(b) when you reach age 59½, upon severance of employment or in case of hardship, disability or death.

Loans

A loan may be taken against Roth 403(b) funds while you're still employed. Repayment terms and interest rates are determined by your plan's vendor.

Contribution

In 2025, you may contribute up to a combined \$23,500 to a 403(b) and/or Roth 403(b). It's possible to contribute more than the maximum if you meet the following requirements in 2025:

- Age 50+ = an additional \$7,500.
- Age 60 - 63 = an additional \$11,250.
- With employer 15+ years = an additional \$3,000.

Here to help you

If you have questions, or would like to open a 403(b) account, please contact:

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Financial Representative

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1. California State Teachers' Retirement System Member Handbook, 2023. 2. "How much will you spend in retirement?" Fidelity.com, 2022.

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