



VISALIA UNIFIED SCHOOL DISTRICT 403(b) TAX SHELTER ANNUITY PROGRAM

The Tax-Sheltered Annuity (TSA) program allows you to contribute part of your income on a tax-deferred basis through payroll deduction to qualified plans. Your contributions and investment earnings are not taxed until they are distributed to you at some future date. Your TSA contributions are intended for retirement or long-term capital accumulation.

Through its Tax-Sheltered Annuity (TSA) program, the Visalia Unified School District (VUSD) offers eligible employees the opportunity to invest tax-deferred income in a variety of annuity plans and mutual funds. VUSD does not offer group annuity plans under this program; all contracts are individually owned. As a public school district, VUSD is permitted to offer the TSA program under Internal Revenue Code (IRC) Sections 403(b), 415, and 402(g).

What is the maximum contribution allowed?

Each year the Internal Revenue Service reviews the limitations and makes adjustments if the cost-of-living index reaches statutory thresholds. As of January 2012, employees can defer up to \$17,000 of taxable income per tax year. There is also a “catch-up” provision, which allows eligible participants to make additional contributions. Employee’s TSA contribution is calculated on an individual basis and determined by the maximum exclusion allowance.

The Internal Revenue Code (IRC) establishes limitations on the amount that you may contribute to a TSA program on a tax-deferred basis. The maximum limitation is called the exclusion allowance, and it is different for every employee. **You should consult your tax advisor to determine your own personal exclusion allowance.**

Who are tax-shelter companies that I can consider using?

The District has provided a list of tax-shelter companies, which are available to District employees for contributions as permitted under IRC Sec 403(b) rules. Each of these companies has entered into a hold-harmless agreement with the District. Only companies, which have entered into such agreements, are available to employees. The list is available online at www.CalSTRS403bcomply.com by searching for VUSD under the My Employer section.

It should be noted that the District does not sponsor, endorse, approve, recommend, support, or authorize any of the companies on these lists. The choice of a tax shelter company is a matter for an employee to investigate with the assistance of his/her financial advisor, and the choice of company is the sole responsibility of the employee.

The District does not assume any liability in connection with the choice of companies by employees, and the distribution of this list does not imply the assumption of such liability. The list is provided for information purposes only and does not constitute the provision of any recommendation or advice by the District regarding selection of a tax shelter company.

We encourage you to research and educate yourself from many sources. Always get a second opinion and check other sources before taking any action. **For more detailed information about 403(b) Tax Shelter Annuities refer to IRS Publication 571. For your specific situation you should consult a professional tax advisor.**

Tax Shelter Annuities – 403(b) Frequently Asked Questions

What is a 403(b)?

The 403(b) is a tax-deferred retirement plan available to employees of educational institutions and certain non-profit organizations. Participants contribute to either tax shelter annuity contracts (often called a TSA) with insurance companies, or directly with mutual fund companies. Contributions and investment earnings grow tax-deferred until withdrawal (assumed to be retirement), at which time they are taxed as ordinary income. The 403(b) was established in 1958 by the federal government to encourage employees in certain tax-exempt organizations to establish retirement savings programs. The name refers to the relevant section in the Internal Revenue Code. For exact Internal Revenue Service wording refer to IRS Publication 571.

What is IRS Publication 571 and how can I obtain it?

This document is titled Tax-Sheltered Annuity Programs for Employees of Public Schools and Certain Tax-Exempt Organizations. It's a specific account of the 403(b) plan from the Internal Revenue Service. You can obtain this document by calling 1-800-829-3676 and requesting it or it may be downloaded by from the IRS website. Look for [IRS Publications](#) and scrolling to Publication 571 Tax Sheltered Annuity Programs - Sheltered Annuity Programs. This is a must-have document for the 403(b) participant.

Why contribute to a 403(b)?

A Healthy Retirement – Most employees of educational institutions and other non-profit organizations are provided with a pension upon retirement. Few pension plans, however, provide an amount equal to salary. A 403(b) plan can provide a healthy supplement to a pension.

Lower Taxes – 403(b) contributions are made on a pre-tax basis, which can greatly reduce your tax bill. Generally, if you contribute \$100 a month to a 403(b) plan, you've reduced your Federal income taxes by roughly \$28 (assuming you are in the 28% tax bracket). In affect, your \$100 contribution costs you only \$72. The tax savings are magnified as your 403(b) contribution increases.

More Tax Savings – all dividends, interest and capital gains accumulate in a 403(b) account on a tax-deferred basis. This means your earnings will grow tax-free until time of withdrawal.

How does a 403(b) plan work?

You set aside money for retirement on a pre-tax basis through a salary reduction agreement with your employer. You choose from among the vendors offered by your employer where your money is to be invested. The money grows tax-free until withdrawal at retirement. Common investment options include, but are not be limited to:

- 1) Annuity and variable annuity contracts with insurance companies
- 2) Custodial account made up of mutual funds. This is known as a 403(b)(7)

When can I withdraw money from my 403(b)?

Generally, when one of the following events has occurred:

- You reach age 59 1/2
- You become disabled
- You have separated from service with your employer
- You experience financial hardships

For more detailed information refer to IRS Publication 571.

How will distributions from my 403(b) be taxed?

In most cases, the payments you receive, or that are made available to you from a 403(b) are taxable in full as ordinary income. In general, the same tax rules apply to distribution from a 403(b) that apply to distributions from other retirement plans.

We encourage you to research and educate yourself from many sources. Always get a second opinion and check other sources before taking any action. For more detailed information about 403(b) Tax Shelter Annuities refer to IRS Publication 571. For your specific situation you should consult a professional tax advisor.