

## *403(b) & (b)(7) Tax Sheltered Annuities (TSA)*

### **Q: What is a 403(b)Tax Sheltered Annuity (TSA)?**

**A:** A Tax Sheltered Annuity is a savings plan that is set up through payroll deduction that allows you to save additional money for retirement on a pre-tax basis. All earnings are accumulate on a tax-deferred basis and are taxed as ordinary income when withdrawn.

### **Q: How much can be contributed?**

**A:** You may contribute a minimum of \$300 and a maximum of \$15,500 for the tax year 2007. This maximum can be adjusted if certain criteria are met and the employee has completed more than 15 years of service with their present employer.

### **Q: How do I get started?**

**A:** To establish a TSA plan, you must select a provider from the TRS approved list, complete all of the necessary paperwork with the provider and the third-party administrator. This list of providers may be found at [www.trs.state.tx.us](http://www.trs.state.tx.us) and all administrator paperwork is available at [www.beoftexas.com](http://www.beoftexas.com).

### **Q: What may the funds be in vested in?**

**A:** Funds may be deposited into an Annuity contract with an Insurance company or a custodial account provided by a Mutual Fund carrier.

### **Q: Can I borrow money from this account?**

**A:** Most providers allow policy loans. The maximum loan amount is generally 50% of account value, not to exceed \$50,000, and must be repaid in five years or it will be considered a taxable distribution. Loan provisions are set by the provider company. Please consult your contact for specifics.

### **Q: When can funds be withdrawn?**

**A:** Funds may be withdrawn in the event of death, disability, financial hardship, separation from service (after age 55), or attaining age 59½. Withdrawals for any other reasons are subject to immediate taxation and a 10% IRS penalty.

### **Q: When must I begin receiving distributions?**

**A:** Generally, the IRS requires that a participant must begin receiving retirement benefits no later than April 1<sup>st</sup> following the year in which the participant reaches 70½. However, if still employed by an eligible employer, the participant may defer making withdrawals until retirement or separation from service.