



Your guide to 403(b) tax-deferred annuity or voluntary savings plans

How much can you contribute in 2021?



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Tax-deferred annuity plans are voluntary savings plans designed to help you build savings for your retirement.

In this brochure, we'll explain the contribution limits set by the Internal Revenue Code (IRC). Plus, we'll show you how to calculate your maximum contribution amount so you can be sure to take full advantage of your opportunity to save.

About TIAA

TIAA's purpose has remained constant for more than 100 years: To help you save for—and generate income during—retirement. For more information, visit us at [TIAA.org](https://www.tiaa.org) or call us at **800-842-2252**.

What is a tax-deferred annuity plan?

A tax-deferred annuity (TDA) plan is a type of retirement plan designed to complement your employer's base retirement plan. Sometimes, a TDA plan is also referred to as a voluntary savings plan, a supplemental plan, a tax-sheltered annuity (TSA) or simply a 403(b) plan.

A TDA plan is an employer-sponsored Defined Contribution retirement plan to which you can contribute a percentage of your base salary.

Retirement plan contribution limits

There are maximum limits to how much you can contribute to your retirement plans each year. These are governed by Sections 415 and 402(g) of the Internal Revenue Code (IRC).

- **For your employer's 403(b) plan.** The Defined Contribution limit applies to all pretax and after-tax (i.e., non-Roth and Roth) contributions; mandatory employee contributions; and all employer-matching and nonmatching contributions. In 2021, the limit is the lesser of \$58,000 or 100% of compensation.
- **Salary reduction.** The elective deferral limit applies to pretax and after-tax (designated Roth) contributions that you voluntarily make under a salary reduction agreement with your employer. The combined pretax and after-tax elective deferral contributions to all 403(b) and 401(k) plans (even with different employers) and Simple IRA plans cannot exceed this limit.

Your contributions

Contributions to a TDA plan are usually made before taxes. This means your contributions reduce your current taxable income and the taxes you currently owe. In addition to the contributions being tax deferred, any earnings on your TDA plan are also tax deferred. This means that your savings have the potential to grow faster because your contributions and investment earnings aren't taxed until you withdraw them as income, usually at retirement.¹ **Pretax contributions may be a good choice if you think your tax rates will decrease after you retire.**

If your employer's plan permits, you may also make contributions after taxes are taken out, known as "Roth contributions."² Generally, these after-tax Roth contributions and their earnings can be withdrawn tax free, as long as you're at least age 59½ and your Roth account is at least five years old. **After-tax Roth contributions may be a good choice if you think your tax rates will stay the same or increase after you retire.**

How much can you contribute?

For 2021, the most you can contribute to your TDA is \$19,500.³ However, depending on your age and your years of service, your maximum may be higher.

If you are age 50 or older in 2021 and your employer's plan permits it, you can also set aside an extra amount called the "age 50+ catch-up." The age 50+ catch-up limit for 2021 is \$6,500. Keep in mind that if you participate in both a 403(b) and a 401(k) plan, the contribution limit and age 50+ catch-up contributions for both plans are combined.

If you have 15 or more years of service and participate in a 403(b) plan through an eligible employer,⁴ you may be able to contribute an additional \$3,000 above the basic contribution limit, if your employer's plan permits. It's important to keep in mind:

- This 15-year catch-up is only available if you have contributed, on average, less than \$5,000 a year to your 403(b) plan; and
- There is a lifetime limit of \$15,000, with each additional contribution you make applied toward that limit. For example, if you contributed \$3,000 over the plan contribution limit for five years and you reached the \$15,000 lifetime limit, you would not be able to make additional contributions under the 15-year catch-up.

- When considering years of service, you should adjust your total to take into account any part-time work or breaks in service. For example, if you worked 50% of the time for the past two years, your years of service would be considered one year.

2021 contribution limits at a glance

If you are:		
Age	Years of service	Your contribution limit is:
Under 50	Less than 15	\$19,500
Under 50	More than 15	\$22,500
50 or older	Less than 15	\$26,000
50 or older	More than 15	\$29,000

Note: Contributions above the basic \$19,500 limit count against your 15-year catch-up lifetime limit first. Only amounts above both the basic \$19,500 and 15-year catch-up count as age 50+ catch-up contributions.

Calculating your maximum contribution amount

In the following pages we provide three tables and other information to help you understand how much you can contribute:

- Table A—Information you need for your calculation
- Adjustments to your calculation information
- Table B—15-year catch-up calculation
- Table C—Your maximum contribution limit calculation

Table A—Information you need for your calculation

The table below shows the information you’ll need to calculate your contribution limit. The table provides a sample calculation for a hypothetical staff member, Professor Green. We assume that Professor Green has been employed for 15 years at an eligible institution and is under 50 years old.

	Your calculation	Prof. Green’s calculation
Salary⁵ This includes: <ul style="list-style-type: none"> ■ Salary for the year in which the calculation is being performed⁶ ■ Any taxable cafeteria/flexible benefit credits or contributions to flexible spending, healthcare accounts or Section 132 transportation fringe benefits 		
LINE 1	\$	\$70,000
Contributions A. Employer contributions⁵ Contributions your employer will make for you in 2021 under its Defined Contribution plan	A. \$	\$4,200
B. After-tax contributions⁵ Contributions you will make in 2021 from income that has already been taxed (these are not after-tax designated Roth contributions)	B. \$	\$0
LINE 2—TOTAL Contributions (A+B)	\$	\$4,200
Years of service This includes: <ul style="list-style-type: none"> ■ Years of service with your employer through the end of 2021 ■ Fractional years of service, adjusted to account for any part-time employment (e.g., 50% of full-time service equals .5 years) or any breaks in service, such as leaves of absence without pay, which cannot be counted 		
LINE 3		15

Table A (Cont'd)

	Your calculation	Prof. Green's calculation
<p>If Line 3 is less than 15 years, go to the section below to see if you need to adjust the salary or contribution information above. Then you are ready to calculate your maximum limit in Table C.</p> <p>If Line 3 is 15 or more years, answer the following questions to see if you are eligible for 15-year catch-up contributions:</p> <ul style="list-style-type: none"> ■ Do you currently work for an eligible institution (e.g., a teaching institution, hospital, church, home healthcare service organization, health and welfare service agency)? <input type="checkbox"/> Yes <input type="checkbox"/> No ■ Do you have 15 or more years of full-time service at that institution? Your years of service must account for fractional years of service. <input type="checkbox"/> Yes <input type="checkbox"/> No <p>If you answered “Yes” to both questions, you may be eligible for the 15-year catch-up. Please enter the information requested in Line 4 and complete the 15-year catch-up calculation on page 8. Then review the section below on adjustments before moving on to Table C. If you answered “No” to either question, review the section below and see if you need to adjust the salary or contribution information above. Then you are ready to calculate your maximum limit in Table C.</p>		
<p>Your prior elective deferrals</p> <p>Cumulative amount of all pretax and Roth elective deferrals for prior years at current employer (elective deferrals only; do not include contributions to a plan that requires employee contributions that are mandatory as a condition of employment)</p>		
LINE 4	\$	\$45,000

Adjustments to your calculation information

Depending on your situation, you may need to adjust some of the information you enter in Table A on page 6, which could affect your calculation results. This applies to:

- **Mandatory employee 403(b) contribution**—Adjust your calculation information by subtracting your required contribution from your salary and then adding it to your employer’s plan contributions. These are employee contributions that are required as a condition of employment as authorized by the Technical and Miscellaneous Revenue Act (TAMRA).

- Employer pick-up amounts paid to a Defined Contribution or Defined Benefit plan**—Adjust your calculation information by subtracting your required contribution from your salary. These employee contributions are treated as if they were employer contributions because they are required as a condition of employment or made under one-time irrevocable salary reduction agreements. Any pretax contributions to purchase service credits in a Defined Benefit plan should also be subtracted from your salary.

Not sure? We can help.

If you're a TIAA participant and are not sure what type of retirement plan you are in or the type of contributions you are making to that plan, please call us at **800-842-2252**.

If you do not participate in a TIAA-sponsored plan and need to determine what type of retirement plan you are in or type of contributions you are making to that plan, contact your payroll department or plan administrator.

Table B—15-year catch-up calculation

If you answered “Yes” to both questions on page 7, you are eligible for the 15-year catch-up. Please complete the calculation below to determine your catch-up amount.

		Your calculation	Prof. Green's calculation
I.	\$3,000 (standard catch-up amount)	\$3,000	\$3,000
II.	\$15,000 less any contributions you've made above the basic 402(g) limit in previous years. The limit is \$19,500 in 2021. (For Professor Green this is \$15,000 less \$0 since this is his first time contributing under the 15-year catch-up.)	- \$15,000	- \$0
TOTAL		\$	\$15,000
III.	\$5,000 multiplied by years of service that you entered in Line 3, Table A. (For Professor Green it will be 15 since he has 15 years of service in 2021.) From this subtotal, subtract the elective deferral contributions from Line 4, Table A. (This is \$45,000 for Professor Green.)	\$5,000 × ----- \$	\$5,000 × 15 ----- \$75,000
		-	- \$45,000
TOTAL		\$	\$30,000
IV.	Take the 402(g) limit and add the lowest of I, II and III above. (For Professor Green it is \$3,000 since it's his first year.)	+ \$19,500	+ \$19,500
		+ \$3,000	+ \$3,000
Use this amount in Calculation 3, Table C on page 9.		\$	\$22,500

Table C—Your maximum contribution limit calculation

As mentioned on page 3, limits on employer and employee pre- and post-tax contributions are found in Sections 415 and 402(g) of the IRC. In 2021, the 415 limit is the lesser of \$58,000 or 100% of compensation, and the 402(g) general limit on all elective deferrals is \$19,500. Using the information you entered in Table A, complete the calculations below. Your maximum contribution will be the lowest result of the three calculations.

	Your calculation	Prof. Green's calculation
Calculation 1.		
Enter 100% of your salary. Refer to Line 1, Table A.	\$	\$70,000
Enter the total contributions from Line 2, Table A (for Professor Green this is \$4,200). Then subtract this amount from the line above.	–	– \$4,200
Enter result for Calculation 1 here.	\$	\$65,800
Calculation 2.		
Enter the 415 limit: \$58,000	\$58,000	\$58,000
Enter the total contributions from Line 2, Table A (same amount you entered in the second line above), and subtract this amount from the 415 limit.	–	– \$4,200
Enter result for Calculation 2 here.	\$	\$53,800
Calculation 3.		
If you have less than 15 years of service and in 2021 you are:		
■ Under age 50, enter \$19,500		
■ Age 50 or over, enter \$26,000 (\$19,500 + \$6,500) ⁷		
If you have 15 or more years of service and in 2021 you are:		
■ Under age 50, enter the amount from item IV, page 8		
■ Age 50 or over, enter the amount from item IV, page 8 + \$6,500 ⁷		
For Professor Green it's \$22,500 (\$19,500 + \$3,000) because he is under age 50 and eligible for the \$3,000 catch-up under the 15-year rule.		
Enter result for Calculation 3 here.	\$	\$22,500

Your maximum contribution limit is the lowest of the amounts you entered in Calculations 1, 2 and 3.

As shown above, the 2021 maximum contribution limit for Professor Green is \$22,500.

Why your maximum limit may change

Since the results of your maximum contribution calculations depend on several factors that may change from year-to-year, your maximum limit may also change. Here are some things to keep in mind.

Your TDA limit may increase if:	Your TDA limit may decrease if:
<ul style="list-style-type: none">■ You are receiving additional compensation, e.g., through bonuses and your compensation goes over the 415 limit■ You have at least 15 years of full-time service with an eligible employer and are eligible to make catch-up contributions■ You have reached age 50 and are now eligible for catch-up contributions	<ul style="list-style-type: none">■ You are contributing to a 403(b) or 401(k) plan with another employer (you must aggregate all elective deferrals to all plans for the 402(g) limit)■ Your includible compensation goes lower than the 415 limit, currently set at \$58,000.■ You have reached the \$15,000 maximum allowed under the 15-year catch-up■ Your average annual elective deferrals reach \$5,000 or more and you have at least 15 years of full-time service



Remember: With tax deferral, it costs you less to contribute more. And it's never too late to start or increase your contributions.

If you're contributing the maximum to your workplace retirement plans, you've made a great start. But what if you want to save more for retirement?

- Consider a Traditional or Roth IRA, if eligible. If you're self-employed, you can take advantage of a Simplified Employee Pension (SEP) IRA or Keogh plan.
- You can also invest after-tax money in mutual funds, a regular brokerage account or after-tax annuities.

Next steps

Most people have no trouble staying within the allowable limits. But keep in mind that you may face adverse tax consequences if you contribute above your limit in a given year.

To avoid contributing too much, be sure to get a calculation every year so you can keep track of your contributions. You can get one online at [TIAA.org/tdacalcs](https://www.tiaa.org/tdacalcs).

If you would like to speak with a consultant, you can also call us at **800-842-2252**, weekdays, 8 a.m. to 10 p.m. (ET). You can also set up a meeting at one of our offices nationwide by visiting [TIAA.org/local](https://www.tiaa.org/local).



When you meet with us, be sure to have:

- Your salary during 2021. You may want to consult your benefits office to ensure you provide us with the appropriate salary.
- The date you were hired at your current employer or the years of service, if you're employed at an eligible institution. This will help determine if you're eligible for 15-year catch-up contributions.
- Your date of birth to determine if you qualify for the age 50+ catch-up contributions
- Any contributions you are making or have made to plans or accounts with other recordkeepers and employers
- A recent pay stub may be helpful for reference



¹ Withdrawals are subject to ordinary income tax. An additional 10% penalty tax may apply to withdrawals made prior to age 59½.

² Some plans may also permit non-Roth after-tax contributions.

³ Your employer's plan may have a \$200 minimum contribution per year.

⁴ Eligible employers are teaching institutions, hospitals, certain churches, home healthcare service organizations, and health and welfare agencies.

⁵ Please see page 7 to determine if you need to adjust your salary or the contribution amounts. Non-Roth after-tax contributions are included for the 415 limit, but not the 402(g) limit.

⁶ If you are using a projected salary, keep in mind that your actual contribution limits may vary from calculation results based on your actual salary and contributions.

⁷ The age 50+ catch-up is separate from the 415 limit; the 15-year catch-up is included in the 415 limit.

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