

# Understanding Your 403(b)

## Overview

The 403(b) is a Tax-Sheltered Account (TSA) that allows you to contribute pre-tax dollars to supplement your CalSTRS/CalPERS pension plan. On average, your pension replaces 50% to 60% of income in retirement.<sup>1</sup> Studies show at a minimum, you'll need approximately 80% income replacement to maintain the same standard of living in retirement.<sup>2</sup> The 403(b) offers school employees a way to bridge that gap while saving for retirement.

## 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.

## Contribution Limits

In 2025, you may contribute up to \$23,500 to your 403(b).

## Catch-up Contributions

It's possible to contribute more than the maximum if you meet the following requirements:

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

## The Pre-Tax Savings Advantage

Based on a teacher's annual income of \$45,000

	403(b) Contribution		
	\$100/month	\$300/month	\$500/month
Monthly gross income	\$3,750	\$3,750	\$3,750
Net paycheck	\$2,786	\$2,652	\$2,518
Change in paycheck	\$67	\$201	\$335

This is a hypothetical example used for illustrative purposes only and is not indicative of any specific investment. It doesn't reflect any fees or charges that may apply.

## Here to help you

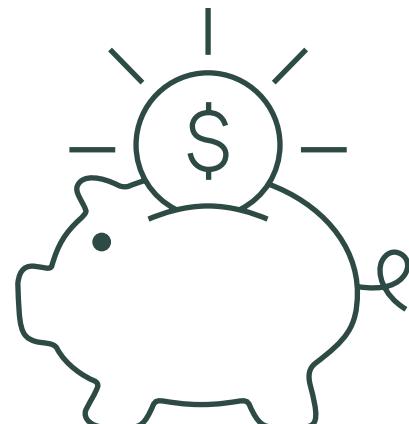
If you have questions about your retirement, or would like to open your 403(b) account, please contact:

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Jasmine Murillo

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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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