

**403(b)/457(b) FAQ's**  
(Condensed from [www.403bwise.com](http://www.403bwise.com))

- Q:** *Who is eligible to contribute to a 403(b) and/or a 457(b)?*  
**A:** Employees of public schools and certain tax-exempt organizations — as determined by Section 501(c)(3) of the Internal Revenue Code — can participate in a 403(b) plan.
- Q:** *What investment options are available to CBSD 403(b)/457(b) participants?*  
**A:** Unlike the 401(k), 403(b)/457(b) participants cannot invest in individual stocks. Instead, their choices are:
1. Annuity and variable annuity contracts with insurance companies.
  2. A custodial account made up of mutual funds. This is known as a 403(b)(7).
  3. Guaranteed accounts at 3%
- Q:** *How does a Traditional 403(b) work?*  
**A:** Participants set aside money on a pre-tax basis through a salary reduction agreement with their employer. The money is then directed to a district-approved financial institution, where it grows tax-deferred until retirement. It is taxed as ordinary income when withdrawn.
- Q:** *How does a Roth 403(b) work?*  
**A:** Participants set aside money on an after-tax basis through a salary reduction agreement with their employer. The money is then directed to a district-approved financial institution, where it grows tax-deferred until retirement. Distributions are tax-free at the time of withdrawal.
- Q:** *Are CBSD 403(b) participants limited to certain vendors?*  
**A:** Yes. Central Bucks School District 403(b) participants can only contribute through the MetLife Annuity Platform, Vanguard Mutual Fund Platform, or PenServ Mutual Fund Platform.
- Q:** *How much can be contributed annually to a 403(b)?*  
**A:** For current year contribution limits, click [HERE](#).
- Q:** *How does a 457(b) work?*  
**A:** Participants set aside money on a pre-tax basis through a salary reduction agreement with their employer. The money is then directed to a district-approved financial institution, where it grows tax-deferred until retirement. It is taxed as ordinary income when withdrawn. An employee can contribute to both a 403(b) and a 457(b) in the same year. For current year contribution limits, click [HERE](#).
- Q:** *Can a 403(b) be rolled into an IRA?*  
**A:** Yes. This can occur when the participant:
- Separates from service (job change)
  - Retires
  - Becomes Disabled
  - Dies
- Q:** *When can 403(b) money be accessed without penalty?*  
**A:** Generally, penalty-free distribution cannot occur until the participant:
- Reaches age 59 ½
  - Separates from service (and must be retired)
  - Becomes Disabled
  - Through a loan (some investment companies allow this; some don't)
  - Suffers financial hardship
  - Dies
- Consulting a tax professional before accessing 403(b) money is highly recommended.