

# OMNI Updates

4th Quarter 2019

Providing a Better Understanding of Your Tax Deferred Retirement Benefit

## NEW YEAR NEW LIMITS 2020

The IRS has recently announced the 2020 Maximum Allowable Contribution (MAC) limits for 403(b) and 457 plans. Elective contribution limits have increased from their 2019 levels.

The elective deferral limit for 403(b)/457 plans will now stand at \$19,500. Employees age 50 and over will be entitled to contribute an additional \$6,500 to their 403(b) or 457(b) plan(s) thereby increasing the elective deferral limit to \$26,000. Individuals with at least 15 years of service with their current employer may be entitled to contribute up to an additional \$3,000 above their age-based limit, potentially increasing the limit to \$29,000 for a participant utilizing both the age based and the full amount of the service based catch-up provisions.

|   | 2019        | 2020        |
|---|-------------|-------------|
| 403(b)/457(b)<br>Elective Deferrals                     | \$19,000.00 | \$19,500.00 |
| Catch-Up<br>Contribution                                | \$6,000.00  | \$6,500.00  |
| Non-elective/Employer<br>Contributions (Section 415(c)) | \$56,000.00 | \$57,000.00 |

If you expect to make or receive a non-elective/employer contribution in 2020, please note that the 415(c) limit has increased from \$56,000 to \$57,000, permitting employers to contribute up to \$57,000 to an employee's 403(b) plan. Recipients of non-elective contributions that are age 50 and up will retain the opportunity to utilize the age based catch-up beyond the 415(c) limitation, allowing for a "combined maximum" of \$63,500 in 2020. Please note that the amount of non-elective employer contributions is reduced by employee elective deferrals.

If you have any questions concerning contribution limits, or any other 403(b)/457 matter, please contact OMNI at 877-544-6664.

## Check out our new website!

OMNI has recently launched a new website. The redesigned site provides an updated user interface, with features, tools, and resources that streamline processes for end-users.



[www.omni403b.com](http://www.omni403b.com)

Happy Holidays  
from  
**US OMNI**

As the holiday season is now upon us and 2020 is fast approaching, we at OMNI are reflecting on what has been a busy and eventful year. From launching new services to publishing a new website, we continue to utilize feedback from you to develop and improve educational tools and services that assist you in making informed 403(b) and 457(b) retirement plan decisions.

On behalf of everyone here at OMNI, I would like to wish you a relaxing and happy festive season and a bright, prosperous 2020.

Sincerely,

Robert McLean  
President and CEO  
U.S. OMNI



## OMNI Mission Statement

OMNI's mission is to be the nation's most respected and valued 403(b)/457(b) independent Third Party Administrator ("TPA"). We continue to foster a culture that supports our team members so that they can provide exceptional services to our clients, their employees, and financial professionals. Backed by cutting-edge technology, our team members work together with our clients to ensure retirement plan compliance with state and federal regulations, as well as to foster a greater awareness of the importance of retirement savings amongst employees and employers alike.

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## THE ROTH FEATURE

The Economic Growth and Tax Relief Reconciliation Act of 2001 first allowed investors to make after-tax contributions to a retirement plan, have earnings grow tax free, and be withdrawn tax free (in some cases). Through this legislation, the Roth IRA was born and it has since become a very popular retirement investment tool. In 2006, Roth 401(k) and Roth 403(b) plans were introduced, allowing participants to enjoy this new feature by contributing directly from their paychecks. Notably, these plans are subject to higher contribution limits than a Roth IRA.



### Quick Roth 403(b) Facts

- In traditional 403(b) arrangement, money you contribute into the plan is deducted from your taxable income for the year. In contrast, your contribution to a Roth 403(b) are subject to income tax on the amount contributed. Please refer to the chart below as an example.
- Roth plans allow for tax free growth and distribution, provided the contributions have been invested for at least 5 years and the account owner has reached age of 59 ½ .
- Unlike a Roth IRA, there are no income restrictions. Anyone earning income can contribute!
- In the instance of a hardship withdrawal or a standard distribution (provided you do not meet the above stipulations), only interest and investment earnings are taxable as the principal has already been taxed.

For more detailed information about Roth accounts, look no further than the IRS's website:

<https://www.irs.gov/retirement-plans/designated-roth-accounts>

| Plan Type   | Traditional 403(b)                                 | Roth 403(b) |
|---|--|-------------|
| Annual Income for year  | 40,000   | 40,000      |
| 403(b) Contributions for year   | 5,000  | 5,000       |
| Taxable Income for year   | 35,000   | 40,000      |
| Tax Liability for 403(b) assets after age 59 ½ (Assuming contributions have been in more than 5 years ) | Taxable income for the year the money is withdrawn | 0%          |

### Republic R-III School Dist.

New accounts may be opened with the following approved service providers

AMERICAN FIDELITY ASSURANCE CO.  
AMERIPRISE FINANCIAL/RIVERSOURCE  
ASPIRE FINANCIAL SERVICES  
ROTH - ASPIRE