

Utah Postdoctoral Association - Retirement Planning Event - Feb 2021 - Notes

Where to go to check if I have retirement benefits or enroll into one ?

<https://ubenefits.app.utah.edu/> > Retirement savings > Employee plans > Fill in a percentage or flat dollar amount and follow instructions.

If we have employer-sponsored retirement, the U automatically contributes to the employer-funded retirement plan, but if we are not eligible we have to do it ourselves.

How do I choose 403(b) vs. 457(b)?

These are the U provided retirement accounts -

<https://ubenefits.app.utah.edu/retirement/employee-403b>.

They can be both traditional (pre-tax) or ROTH (after-tax) contributions (see below). Investment of these contributions can be through Fidelity or TIAA, who are University provided planners.

403(b) - Chosen by most U employees since many retire in their 60s and money starts to become available at the age of 59.5 years without penalty, but there is a penalty to remove it before 59.5.

457(b) - This is better for those who have a high probability of leaving the institution or country (most postdocs). Money starts to become available for retirement at the age of 70.5 years. But funds can be taken out anytime without the 10% penalty; you just have to pay taxes on it if you made a pre-tax contribution.

Ideally you would not want to take out money from these accounts unless there's a dire situation.

Note: **IRAs** - Individual Retirement Accounts are individual accounts that could be through any investment company, and they are NOT through the U like the above accounts.

Traditional (pre-tax) vs. ROTH (after-tax)

Traditional - You do not pay tax on the contribution when you make the contribution, but pay it when you withdraw the money after retirement.

ROTH - You pay up tax on the contribution, but can withdraw the money tax-free after retirement. May work better to start with ROTH contributions. The growth on those contributions will be tax free. Think about whether it makes more sense to pay taxes now or during retirement (use the tax bracket below to estimate).

What's my tax bracket for taxes in 2021?

<https://taxfoundation.org/2021-tax-brackets/#brackets>

How much to contribute ?

15% of your income is a good target to contribute into retirement accounts. But if you are short of money, you can always start with smaller amounts. As you reach your late 30s/40s, you should increase that contribution.

For University 403(b) and 457(b) plans (Traditional or Roth) -

Min amount that can be contributed : **\$12.50 per pay period**

Max amount that can be contributed: **\$19,500 annually to each plan**

<https://www.hr.utah.edu/benefits/supRetirement.php>

Max contributions that can be made to all of Traditional and Roth IRAs: **\$6000 annually combined.**

<https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits>

Can I combine these accounts at some point ?

You cannot combine the accounts while at the U. But after you have left you can combine into an IRA or rollover IRA. It's easier to manage one account (dealing with multiple vendors can get crazy.)

What are the fees?

There are no fees for opening these retirement accounts with Fidelity and TIAA. In case the money is invested, there will be something called annual *expense ratio* fees which will always be below 1% for Fidelity and TIAA since they are University associated. Other companies have it above 1%. Look out for 'Load' fees that some companies have for their mutual funds in addition to the expense ratio.

How can I choose an appropriate investment option for my retirement funds ?

When you sign up for a retirement account, you will be able to see investment options in your account. There are at least 200 choices for mutual funds at Fidelity. A mix of stocks and bonds are best options rather than purely bonds or purely stocks. The 10-year average growth for these funds must be noted to check if growth has been stable. Around 13% growth is a good benchmark. There will also be choices to support socially fair/ethical and green options.

When do I revisit these invested retirement accounts after setting it up ?

Maybe every 2-4 years. No need to make yourself over-anxious about growth or ups and downs.

Can we have FREE one-on-one meetings with planners to discuss these options?

Yes. Book available time slots online.

Fidelity - <https://nb.fidelity.com/public/nb/uofu/home> (Scroll to the bottom and click on 'Meet')

TIAA - <https://www.tiaa.org/public/tcm/uofu/home> (Scroll to the bottom and click on 'Schedule Now' under Professional Advice)

Recommended personal finance guidelines

3 categories -

- 1) Emergency funds - Make sure you always have an amount of 3-6 months of expenses; A good estimate is rent or mortgage multiplied by 3 or 6.
- 2) Retirement - 15% of your income
- 3) Investments - Money in excess of emergency funds can be put into additional investments.

University of Utah Retirement planning booklet -

https://www.hr.utah.edu/benefits/Guide_SupplementalPlans.pdf

<https://www.hr.utah.edu/benefits/retirement.php>

403(b) and 457(b) options for postdocs on fellowships.

All postdocs, no matter their job code, are eligible for these accounts *as long as they have payroll*. If you are paid on a fellowship, you may have no payroll. However, if you have any additional funds (e.g. "top-up" funds from your PI), those funds can be directed to your supplemental retirement account. If that's the case, the funds must come from an "activity" (your PI/finance person will know what kind of account that is). The HR folks are working on a policy to address these issues and the draft policy is below:

Departments may choose to provide retirement benefits to the 403(b) Plan. Guidelines:

- * Must be provided in a non-discriminatory fashion. Departments should consider grant limitations, cost, fairness and perception as they negotiate retirement benefits.
- * Departments who agree to provide retirement benefits must use other department funding sources to provide the benefit.
- * IRS prohibits employers from contributing retirement in an amount greater than the compensation paid to an employee. Trainees do not receive compensation and cannot receive retirement contributions based on the stipend provided by the grant.

Options for making retirement contributions for trainees:

1) Payroll Deferral Option:

- * Add a second employee job for the trainee using Job Code 9210
- * Pay the trainee some amount through payroll (which would be considered compensation) and allow the trainee to defer that amount to a supplemental retirement plan
- * Trainee must pay FICA taxes on the amount and will also pay state and federal taxes on the amount held out to pay FICA taxes. The amount paid by the department can be grossed up to cover taxes. (HR can help with this calculation.)

2) Payroll for Benefits Option:

- * Add a second employee job for the trainee using Job Code 9210

- * Pay the trainee enough compensation to cover benefit costs and possibly some additional amount. (Trainee must pay FICA taxes on the amount and will also pay state and federal taxes on the amount held out to pay FICA taxes.)

- * The department can make an employer non-elective contribution to the 403(b) Plan in the same or a lesser amount. (Trainee does not pay FICA, state or federal taxes on the employer contribution.)

3) IRA Option:

- * Provide the amounts to the trainee through Accounts Payable and allow the trainee to contribute to an individual IRA (the trainee can choose whether they will actually invest the funds)

Considerations for paying through payroll:

- * Treats the individual as employee receiving compensation

- * Deducts taxes and results in a W-2 at the end of the year for the compensation entered into the payroll system.