Y Retirement
The lifelong benefit of doing good

Annuitizing a Roth Account
The 403(b) Savings Plan

Upon separation of Y employment, 403(b) Savings Plan balances greater than $5,000 can be turned into lifetime income annuity payments, starting at age 55. This includes the Roth Account, which consists of employee after-tax contributions and interest credits from the YMCA Retirement Fund as well as eligible rollovers in the Roth Rollover Account, which consists of after-tax contributions and any earnings rolled in from a previous employer, and interest credits from Y Retirement thereafter.

For each monthly annuity payment, the portion attributable to Roth contributions is tax-free; however, for the portion attributable to earnings, which also includes the interest rate used in calculating the monthly annuity payment (also known as the Annuity Conversion Rate), to be a qualified distribution (tax-free*):

- you must be at least age 59½, AND
- the annuity payment must be after five calendar years from your first Roth contribution (not necessarily full calendar years).

EXAMPLES:

Starting An Annuity Before Age 59½

- Mary made her first Roth contribution in June 2024, at age 54 and 6 months.
- On January 1, 2029, Mary begins an annuity at age 59.
- Although Mary's Roth Account has satisfied the 5-year rule, Mary is not yet age 59½.
- Therefore, Mary's first fully tax-free Roth annuity payment would occur in July 2029.

Starting An Annuity Before Five Calendar Years

- Corey made his first Roth contribution in September 2024, at age 58.
- On July 1, 2028, Corey begins an annuity at age 62.
- Although Corey has satisfied the age 59½ rule, Corey's Roth Account has not satisfied the 5-year rule.
- Therefore, Corey's first fully tax-free Roth annuity payment would occur in January 2029.

How much of my annuity may be taxable if the earnings are not qualified?

Every Participant's situation is unique. The taxable portion of the monthly annuity payment is the percentage attributable to earnings, which includes interest from the rate used in calculating the annuity payment (also known as the Annuity Conversion Rate). You may contact Customer Service to discuss your specific situation.

What if I have a Tax-Deferred Account (formerly Smart Account) or eligible Rollover Account and want to annuitize those accounts but not any Roth account(s)?

You would need to withdraw any Roth account(s) in full in the month prior to annuitizing your Tax-Deferred Account and any eligible amounts in the Rollover Account. When withdrawing Roth accounts, you may elect a direct rollover to a Roth IRA or the Roth account of another eligible employer plan.

**Different rules if permanently disabled or deceased.*

Due to the many tax implications associated with Roth contributions, you should consult with a tax advisor or other professional regarding your individual situation.

March 2024

Contact Y Retirement via Live Chat at www.yretirement.org, or at 800-RET-YMCA (800-738-9622), M-F (9:00am-5:00pm ET)