

THE RETIREMENT SOLUTION

A RESOURCE TO HELP YOU ADMINISTER YOUR SERVANT SOLUTIONS RETIREMENT PLAN

Welcome to a special edition of the Retirement Solution Newsletter. In this issue, we highlight the new Roth element of our Retirement Plan. We will discuss best practices as well as frequently asked questions. As always, we welcome your questions or suggestions. It is an honor to work with you to help your ministry grow and thrive!

SERVANT SOLUTIONS INTRODUCES NEW ROTH OPTION!

We are excited to share this news first with you, our partners who serve as treasurers, business administrators, and employers. A new Roth 403(b) investment option will be available to all participants beginning on January 1, 2021. We will announce this within the next month to all our participants in the quarterly newsletter. You are likely familiar with the Roth feature, which allows employees to pay taxes on their contributions today while enjoying tax free distributions when they withdraw in the future (provided certain requirements are met; read this issue further for details). You pay tax on your contributions today to avoid paying any tax on your distribution in retirement. What that means is that the earnings that accumulate on your Roth contributions are **never taxed!**

This new tool to plan for retirement within the Servant Solutions Retirement Plan can provide advantageous tax results for many participants. Each person's situation is different, so it is important that the participant carefully make a decision that works best for them. For example, for non-ministerial employees, Roth contributions often may be the best strategy for lowering overall taxation.



Bob Haymond is available to answer your ROTH questions

However, a minister would likely want to continue to make contributions pre-tax because he/she can then make withdrawals in retirement utilizing the housing allowance. We have helpful resources on our website to assist your employees in taking a look at the possibility of starting a Roth contribution. Included in these resources are a FAQ page, Roth Guide, salary reduction agreement, etc. Please encourage your employees to consult their individual tax expert to see how this applies to their personal tax situation.

This special issue is filled with detailed information to assist you in preparing for this new feature. We are truly excited to roll out this new opportunity and invite you to contact us if we can answer questions or assist you in any way.



ROTH IMPLEMENTATION

WHAT YOU NEED TO KNOW

by Bob Haymond

- **Traditional “Before-tax” contributions are made on a salary reduction (tax-deferred) basis**, lowering your taxable income today and deferring taxes for a future date. Reported on Form W-2 in Box 12 (Code E), but NOT included in Box 1 as a part of wages. For non-ordained (lay) employees, this amount would, however, be reported and taxed as a part of Social Security Wages and Medicare Wages in Boxes 3 and 5.
- **Roth 403(b) “After-tax” contributions are taxable at the time the contribution is made.** You pay taxes “today” but will not pay taxes at the time of withdrawal. Reported on Form W-2 in Box 12 (Code BB) and INCLUDED in Box 1 as a part of wages. For non-ordained (lay) employees, this amount would still be reported and taxed as a part of Social Security Wages and Medicare Wages in Boxes 3 and 5. This requires a new salary reduction agreement to be kept on file with the church/employer (see the below checklist for more information).
- Roth contributions can only be made by salary reduction. **Any match or basic employer contribution that comes from the Church/Employer must be a “Before-tax” contribution.** Because of this, the Church/Employer portion must be contributed to our traditional “Before-tax” account. These employer contributions are not reported to the employee on his/her Form W-2.
- **The combined amount contributed** to all designated Roth 403(b) and traditional “before-tax” accounts in any one year for any individual is **limited** (under IRC Section 402(g)). The limit is \$19,500 in 2020, plus an additional \$6,500 in catch-up contributions in 2020 if you are age 50 or older at the end of the year. The contribution limits are subject to change annually.

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SERVANT SOLUTIONS ROTH CHECKLIST

HOW TO GET STARTED

Please complete the below checklist if you have employees interested in making Roth contributions to the Servant Solutions Retirement Plan beginning January 1, 2021:

- _____ **1. Review your organization’s Employer Eligibility & Participation Schedule.** This document should be maintained by all employers participating in the Servant Solutions Retirement Plan; it details how the retirement plan will be administered at your organization. It is retained for your records (and is not provided to Servant Solutions). Older versions of this form will not include Roth Contributions; therefore, you will need to update your records. You can access the newest version of this form at servantsolutions.org > Forms > Our Forms > Employer Forms.
- _____ **2. Any employees who want to begin submitting Roth contributions via a reduction in their net salary (after tax) should complete a Salary Reduction Agreement.** This form is maintained by your organization; Servant Solutions does NOT need a copy of the agreement. You can access the newest version of this form at servantsolutions.org > Forms > Our Forms > Employer Forms.
- _____ **3. Based on the employee’s Salary Reduction Agreement, update your payroll records to withhold the after-tax Roth contributions from the employee’s paycheck.** Remit the Roth contributions to Servant Solutions as soon as it is administratively feasible via a paper remittance form or online (servantsolutions.org > Remit Online (found in the upper right-hand corner)).
- _____ **4. Remind all employees to have a current Designation of Beneficiary form on file with Servant Solutions.** There is a new online Designation of Beneficiary form available on the Servant Solutions website. You can access the electronic form at servantsolutions.org > Forms > Our Forms > Member Forms.

HOW TO REPORT EACH CONTRIBUTION TYPE

Contribution Type	Traditional “Before-tax”	Roth 403(b)**
Are contributions made with before-tax or after-tax dollars?	Before-tax dollars	After-tax dollars
Made by Salary Reduction Agreement?	Yes	Yes
Are direct contribution from Employers allowed?	Yes	No
Can an employee give a personal check?	No	No
Are contributions listed as taxable income?	No	Yes
Must all contributions come through the Employer?	Yes	Yes
Reported on W-2		
Box 1	Excluded	Included
Box 3 & 5 (non-ordained)	Included	Included
Box 12	Code E	Code BB
Miscellaneous items		
Individual Contribution Limits (subject to change annually)	\$19,500 (+\$6,500 over 50) combined for both Before-Tax & Roth	\$19,500 (+\$6,500 over 50) combined for both Before-Tax & Roth
Are all contributions & earnings non-taxable when distributed?	No	Yes
<i>** Servant Solutions also offers After-tax contributions from net pay, but these contributions are not subject to the same benefits as Roth contributions.</i>		

Please let us know if you have any questions. Our Operations Team (info@servantsolutions.org or 800-844-8983) is standing by and ready to help!

IMPLEMENTATION, (CONTINUED)

- Servant Solutions will accept rollovers of Roth accounts from other employer-sponsored retirement plans that allow Roth contributions. However, applicable **law does not allow Roth IRAs to be rolled over into your Servant Solutions Roth 403(b) account** because of the different rules that apply to Roth IRAs.

- **A distribution from a Roth 403(b) is tax-free and penalty free**, provided the five-year aging requirement has been satisfied and one of the following conditions is met: age 59½, disability, or death.

- The five-year aging requirement is defined as follows: **The five-taxable-year period of participation begins on the first day of your taxable year for which you first made designated Roth 403(b) contributions to the Plan.** It ends when five consecutive taxable years have passed. If you make a direct rollover from a designated Roth 403(b) account under another plan, the five-taxable-year period does not start over. It begins on the first day of the taxable year that you made designated Roth 403(b) contributions to the original plan.

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ADDRESS SERVICE REQUESTED

SERVANT SOLUTIONS' NEW ONLINE FORMS

A GREAT WAY TO STREAMLINE THE PROCESS

As an employer providing the Servant Solutions Retirement Plan to your employees, you may be glad to know we recently added three new, online forms:

1. Membership Application
2. Beneficiary Form
3. Investment Change Form

Previously these forms were only available on paper, but now they can be completed online through our secure network. We also make all of our paper forms available as pdf files that can be downloaded and printed. **Check out our Forms page at servantsolutions.org.**

