

403(b)(7) CUSTODIAL ACCOUNTS

These accounts provide a tax-deferred opportunity for employees of 501(c)(3) organizations to save and invest for retirement.

KEY BENEFITS

- Provides you with a valuable tax-deferred employee benefit for your retirement
- Allows you to contribute toward your retirement goals
- Accommodates optional contributions from your employer
- Enables you to work with a financial professional to choose your investment allocations
- Provides you with immediate vesting (ownership) of your own contributions

HOW 403(b)(7)S WORK

Your employer acts as the plan sponsor and determines:

- Eligibility to participate in the plan
- When you can begin contributing
- What investment options are available to you—such as a 403(b)(7) custodial account
- If employer contributions will be made
- Vesting (ownership) of employer contributions
- Whether loans and hardship withdrawals will be allowed

Contributions and earnings have the potential to grow tax-deferred until withdrawn within a variety of investments offered that you control.

CONTRIBUTIONS

\$22,500

for 2023 Employee +
Employer Limit

\$66,000

for 2023 Employee +
Employer Limit

Employee contributions and employer contributions together cannot exceed the lesser of 25% of your compensation or \$66,000 for 2023. The plan may offer an additional catch-up contribution of up to \$7,500 in 2023 and \$6,500 in 2022 for employees with at least 15 years of service or who are 50 years old or older. Visit [irs.gov](https://www.irs.gov) for more information.

A 403(b)(7) custodial account can also accept Roth contributions (if allowed by the plan), which allow participants to contribute after-tax dollars and receive qualified distributions that are federal income tax free, if certain conditions are met.

DISTRIBUTIONS

Withdrawals are permitted without penalty at age 59½, in the event of the death or disability of the participant or another exception applies (see table on page 2). Availability of early withdrawals and taxation are generally outlined in the plan document.

HOW A FINANCIAL PROFESSIONAL CAN HELP

Create a retirement strategy

A financial professional can help you map out a holistic retirement planning strategy, taking into consideration your retirement goals, timeframe and risk tolerance.

Determine your asset allocation

A financial professional can help you determine appropriate allocations to the investment options made available by your employer.

Review and track performance

You will receive an easy-to-read brokerage account statement for your 403(b)(7) custodial account, making it easier for you and a financial professional to track, evaluate and review the performance of your investments, and make any course corrections necessary.

Facilitate plan loans

If loan availability is elected by the employer, a financial professional can help you coordinate with the administrator to arrange for loans from the account.

¹ Includes \$7,500 maximum catch-up contribution for 2023.

² The Internal Revenue Service caps compensation at \$330,000 in 2023, regardless of actual income or earnings.

TALK TO A FINANCIAL PROFESSIONAL TO FIND OUT MORE

The financial professional working with your employer can help you review your specific situation, retirement goals and answer any questions about the features and benefits, as well as any risks associated with your 403(b)(7). Before investing, carefully review the plan, its investment options and costs.

Note: Investing involves risks, including the possible loss of principal. Investments are not FDIC insured and not insured by any federal government agency and may lose value. Different investments carry different types and degrees of risk and may not be suitable for all investors. You should familiarize yourself with those risks before investing. This summary is for general information purposes only. Pershing LLC does not provide tax or legal advice. Individuals should seek professional advice before contributing to a retirement plan, making any investment decision or taking distributions from a retirement plan.

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403(b)(7) Custodial Accounts

Maximum Eligibility Requirement	Employees age 21 or older with at least one year of service
Types of Contributions Allowed	Employer contributions and employee deferrals
Maximum Employee Contribution	\$22,500 for 2023; if age 50 or older \$30,000 for 2023 ¹ 15-Year Rule: The plan may offer an additional catch-up contribution of up to \$7,500 in 2023 (\$6,500 in 2022 and \$6,000 in 2021) for employees with at least 15 years of service or who are 50 years old or older. Visit irs.gov for more information.
Maximum Employer Contribution	Employer contributions are not mandatory; however, employee contributions, plus employer contributions, cannot exceed the lesser of 25% of compensation or \$66,000 for 2023 ²
Timing of Contributions	<ul style="list-style-type: none">• Employer—Prior year contribution must be made no later than the federal tax filing due date (plus extensions) of the employer's federal tax return• Employee—Generally, employers will deposit employee contributions as soon as administratively possible but no later than the 15th business day of the following month
Vesting Terms for Employer Contributions	Determined by the employer; a "cliff" or a "graded" vesting schedule may apply which is 100% vested at retirement
Minimum Age to Take Distributions Without Penalty	59½—early withdrawals are subject to 10% additional tax, except for those 55 or older who are separated from service or another exception applies, such as disability, first time home purchase (up to \$10,000), education, IRS levy or upon adoption or birth of a child (up to \$5,000)
Required Minimum Distribution Rules	Must begin by April 1 of the year after the account holder reaches 73 in 2023. If the individual is still working, withdrawals from the 403(b)(7) may be delayed until April 1 following the year in which he or she retires
Rollovers	Must have a triggering event (e.g., plan termination, death, separated from service, disability) to roll into an Individual Retirement Account or other retirement plan
Plan Loans	If elected by the employer, loans are limited to the lesser of 50% of vested value or \$50,000 reduced by the highest outstanding loan balance over the year

Based on Internal Revenue Service data, November 2022. This chart is intended to provide general information and is not intended as tax or legal advice. The rules governing contribution limits are complex and you should consult with your plan administrator to understand the limitation, rules and regulations that apply to your plan. State taxes may apply to distributions.