403(b)(7) Custodial 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 an advisor 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Contributions and earnings have the potential to grow tax-deferred until withdrawn within a variety of investments offered that you control.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

$18,000
employee limit

$53,000 for 2016
$54,000 for 2017
employee + employer limit*

*Does not include catch-ups.

Employee contributions and employer contributions together cannot exceed the lesser of 25% of your compensation or $53,000 for 2016 and $54,000 for 2017. The plan may offer an additional catch-up contribution for employees with at least 15 years of service or if you are 50 years old or older, increasing the limit to $24,000 for 2016 and 2017. Visit 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 or in the event of the death or disability of the participant. Availability of early withdrawals and taxation are generally outlined in the plan document. Required minimum distribution (RMD) rules do apply to 403(b)(7) custodial accounts.

How an Advisor Can Help

Create a retirement strategy

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

Determine your asset allocation

An advisor 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 an advisor 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, an advisor can help you coordinate with the administrator to arrange for loans from the account.

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	\$18,000 for 2016 and 2017; if age 50 or older, \$24,000 (includes \$6,000 maximum catch-up contribution) **15-Year Rule:** The plan may also offer a catch-up contribution for employees with 15 years of service with their current employer and an average contribution of less than \$5,000 per year. These employees are eligible for an additional \$3,000 contribution per year up to a lifetime maximum catch-up of \$15,000. Employers are not required to make this provision available
Maximum Employer Contribution	Employer contributions are not mandatory; however, employee contributions, plus employer contributions, cannot exceed the lesser of 25% of compensation or \$53,000 for 2016 and \$54,000 for 2017*
Timing of Contributions	• 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	Determined by the employer; a "cliff" vesting schedule or a "graded" vesting schedule may apply which is 100% vested at retirement
Required Minimum Distribution Rules	Must begin by April 1 of the year after the account holder reaches age 70½. 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, October 2016. 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.

Talk to an advisor to find out more

The advisor working with your employer can help you review your specific situation and 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.

* The Internal Revenue Service caps compensation at \$265,000 for 2016 and \$270,000 for 2017, regardless of actual income or earnings.

Pershing LLC does not provide tax or legal advice. Individuals should seek professional advice before contributing to a retirement account, making any investment decision or taking distributions from a retirement plan.

The products and/or services described in this fact sheet are offered to you by your financial organization, not directly by Pershing LLC.

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