# 2026 403(b) Information
# Texas Retirement Planners

## 403(b) Definition

A 403(b) plan is an employer retirement savings plan where employees can make voluntary contributions from their paychecks to save additional funds for retirement and receive tax breaks for participation in the plan. These plans are designed specifically for employees of public schools, tax-exempt organizations and certain ministers and are often referred to as TSA's (Tax-Sheltered Annuities).

## 403(b) Contribution Information

• 403(b) contributions must be made in a specific person's name and cannot be made to a joint account.
• Employee *Elective Deferrals* are the amount an employee decides to contribute to a 403(b) account or annuity.
• If permitted by the plan an employee who has 15 years of service may utilize the 15-year catch-up provision which allows higher maximum contribution limits.
• Employees may choose from specific investments that are offered under the plan.
• If 403(b) contributions in any given year exceed the annual limit, the overage is not part of the 403(b) and is included in your taxable income.
• Employer *Non-Elective Contributions* are the amount an employer decides to contribute for the employee's benefit. Employers may match the employee's contributions up to a certain percentage under a certain formula; however, most school districts do not offer a match.
• Employer contributions may be subject to a vesting schedule. A vesting schedule covers the period of time necessary for an employee to receive the entire company contribution. If employment terminates before the period ends, the company may not be required to pay 100% of the company non-elective and matching contribution.
• The school districts in Texas offer a wide range of annuity and mutual fund platforms to choose from.

## 2026 403(b) Retirement Plans

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| **Annual Contribution Limit Under Age 50** | **$24,500** |
| **Defined contribution (DC) plan limits** | **$72,000** |
| **Annual Contribution Limit with Catch-up at age 50 to 59 and over 63** | **$32,500** |
| **Annual Contribution Limit with Catch-up from age 60 to 63** | **$35,750** |

## NEW for 2026: SECURE 2.0 Act - Mandatory Roth Catch-Up Rule

• Beginning January 1, 2026, employees who earned more than $150,000 in FICA wages from their employer during 2025 **MUST** make ALL catch-up contributions as Roth (after-tax) contributions.
• This requirement applies to both standard catch-up contributions (age 50+) and enhanced catch-up contributions (age 60-63).
• The $150,000 threshold is indexed for inflation and will be adjusted annually by the IRS.
• If your 403(b) plan does not offer Roth contributions and you exceed the $150,000 wage threshold, you will **NOT** be able to make ANY catch-up contributions (neither pre-tax nor Roth) until your plan is amended to include a Roth option.
• Important: Your eligibility is determined by your prior calendar year wages. For example, if you earned over $150,000 in 2025, this requirement applies to your 2026 catch-up contributions.

## 403(b) Tax Information

• Both traditional and Roth contributions are generally available.
• Traditional contributions to your 403(b) are **not** subject to federal income tax until withdrawn.
• Generally, employees must pay Medicare tax on their contributions to a 403(b) plan.
• Contributions to your 403(b) **are** reported on Form W-2, (Box 12) on your Wage and Tax statement.
• In most 403(b) plans, you must begin taking Required Minimum Distributions starting at the later of age 73 or the termination of employment.

## Loan Information

• Some 403(b) plans provide the option to borrow money from the plan in the form of loans. The loans are **not** taxable if they meet specific criteria. Only loans from traditional 403(b) plans, not Roth 403(b) plans, are permitted from district plans. For further details please contact your plan administrator.

## Withdrawal & Distribution Information

• Withdrawals taken before 59 ½ **may** be subject to a 10% federal additional tax.
• Traditional withdrawals or distributions, including interest earnings, are generally considered **taxable** income when taken.
• A distribution from a Roth 403(b) is tax-free and penalty-free provided that the five-year aging requirement has been satisfied and one of the following conditions is met: age 59 1/2, death, disability

Generally, account distributions **cannot** be made until one of the following occurs:

- You pass away, become disabled, or otherwise have a severance from employment.
- The plan is terminated, and no new plan is established or maintained by the employer.
- You reach age 59½ or incur a financial hardship (if the plan document provides for hardship distributions).
- For further details go to www.irs.gov.