General

Q: What is a Roth IRA and why is the Roth feature in the TDA different?
A: The Roth feature in the TDA and Roth IRAs are both established with after-tax contributions. However, Roth IRA accounts are established by individuals outside of a retirement plan. Roth TDA is part of your Harvard-sponsored TDA plan. Individual Roth IRA limits are restricted based on income levels, whereas the Roth TDA is not subject to income limits. The maximum annual contribution under a Roth IRA for 2016 is $5,500 ($6,000 for those age 50 and over). See below for Roth TDA contribution limits, which are higher.

Q: Is the Roth option part of the Harvard University TDA?
A: Yes, beginning on January 1, 2017, the Roth option is a new after-tax contribution option within the Harvard TDA.

Q: What are the benefits of the Roth TDA option?
A: It provides additional flexibility in planning retirement income—your contributions are made after-tax, and your qualified withdrawals (contributions and earnings) in retirement are not taxed. This can help protect you against higher future ordinary income tax rates. Additionally, there are no maximum income limits for Roth contributions within the TDA (unlike Roth IRAs), and contribution limits are higher than those applicable to Roth IRAs.

Q: Who might benefit from the Roth TDA option?
A: In general, the Roth TDA option might benefit individuals who can afford to pay taxes now on their TDA contributions, employees earlier in their careers for whom pretax contributions are not as beneficial, participants who want to contribute more than the $5,500 contribution currently allowed to a Roth IRA, and those who believe they may be in a higher tax bracket in retirement.

The Roth TDA may also benefit individuals who seek to maximize tax flexibility when withdrawing their savings in retirement (e.g., looking for a balance of taxable and nontaxable withdrawals). However, those considering making Roth TDA contributions should review their individual circumstances with a tax advisor, or consider scheduling a one-on-one consultation with a representative from one of Harvard’s retirement plan investment companies.

Making Roth contributions

Q: How much can I contribute using the Roth TDA option?
A: You can make any combination of pretax regular TDA and after-tax Roth TDA contributions to your plan as long as your total does not exceed the IRS annual limit. For 2016, the annual limit is $18,000. In addition to regular contributions, you also may contribute an additional “catch-up” amount up to $6,000 if you are age 50 or over during the calendar year. Note that the contribution limits are adjusted by the IRS from time to time based on increases in the cost-of-living index. Limits are generally announced in October for the following calendar year.

Q: Are there income limits with the Roth TDA option?
A: No. The income limits that apply to Roth IRA contributions do not apply to the Roth option within the Harvard TDA Plan.
Q & A

Q: How do I elect to make Roth contributions within my TDA?
A: You elect to make after-tax Roth contributions to your TDA by completing a new Salary Reduction Agreement. Go to the Harvard Human Resources website at hr.harvard.edu, select Harvard University Retirement Center (HURC) at the bottom of any page, and follow the screen prompts to “Manage Your Contributions.” If you do not have an existing TDA account you can enroll online by going to the HURC (as noted above) or by calling the HURC at 800-527-1398, Monday to Friday, 8 a.m. to 5 p.m. (ET).

Q: What investment options do I have with the Roth TDA?
A: You can choose from among the same menu of carefully selected, low cost funds that are available for the pretax TDA contributions. However, the brokerage option is not available for the Roth TDA at this time. You can have your contributions to the Roth TDA and the pretax TDA directed to different investments.

Q: I was auto-enrolled in the TDA. Does that affect my ability to elect the Roth TDA option?
A: No, you may elect to have some or all of your contributions directed to the Roth TDA option. However, if you make this change, auto-escalation will no longer apply to the regular pretax TDA. Your current pretax TDA contribution will continue but will no longer automatically increase each January. But you may increase or decrease your contributions at any time.

Q: Can I make contributions to both the regular Harvard TDA and Harvard’s Roth TDA option?
A: Yes, you may contribute to both options, as long as you do not exceed the IRS’s maximum annual contribution limit described below.

Q: Can I convert my current pretax TDA funds to Roth funds?
A: No, this option is not available at this time.

Withdrawing money from your Roth TDA account

Q: When can I take a tax-free withdrawal from my Roth TDA balance?
A: You can make a tax-free withdrawal of your Roth contributions and earnings within your TDA once you reach age 59½ and at least five years after you make your first Roth contribution to the Harvard TDA account.

Q: How is the five-year time frame for my Roth contributions determined?
A: The five-year period begins on the first day of the year in which you make your first Roth contribution to your TDA account. For example, if you start Roth TDA contributions in May 2017, a full year of your five-year requirement will be met in 2017.

Q: Can I take hardship withdrawals or loans from my Roth TDA balance?
A: Hardship withdrawals may be taken from your Roth TDA balance under the same rules that apply to hardship withdrawals of pretax funds. However, if it has been less than five years since your first Roth contribution, any investment earnings may be taxable and subject to a 10% penalty on early distributions.

There is no loan option available from your Roth TDA balance.
Q&A

Q: Can I roll over an account from a previous employer to Harvard’s new Roth TDA?
A: No, rollovers into the Harvard TDA Roth option are not currently available.

Q: Can I roll over my Roth TDA savings from Harvard’s TDA to my new employer’s plan if I leave the University?
A: In some cases. You can roll over your Roth TDA balance to another employer’s retirement plan only if the new plan accepts Roth rollover funds. Check with your new employer to make sure their plan can accept a Roth rollover before you start the process.

Q: Are Roth assets within my TDA account subject to the IRS required minimum distribution rules?
A: Yes. Required Minimum Distribution (RMD) rules for retirement plans also apply to Roth contributions held in your TDA. You must begin RMDs no later than April 1 of the calendar year following either a) the calendar year in which you reach age 70½; or b) the calendar year in which you retire, whichever comes later.

You may be able to avoid the RMD requirement by rolling over your Roth TDA balance into a Roth IRA before January 1 of the year in which you turn age 70 1/2. Roth IRAs are generally not subject to the RMD rules and do not require withdrawals until after death. Keep in mind that if you roll over your Roth TDA balances into a newly established Roth IRA, your five-year time frame for the Roth IRA begins on the date you roll over the Roth retirement plan balances. Your five-year period under the Harvard TDA is not carried over to the Roth IRA with the money. On the other hand, if you roll over your Roth TDA balance into an established Roth IRA (or you have another established Roth IRA), the five-year Roth IRA period should begin with the date you made your first contribution to the Roth IRA and is unaffected by the transfer of the Roth TDA balances.

Because the RMD and Roth rollover rules are complicated, you should discuss your individual circumstances with a tax advisor before you roll over your Roth TDA balance into a Roth IRA or take any distribution from your Roth TDA.