Frequently Asked Questions

New Roth In-Plan Conversion Feature

Introduction

The Harvard University Tax-Deferred Annuity (TDA) Plan currently allows you to make contributions on a pre-tax basis and/or on an after-tax (Roth) basis. Pre-tax contributions are deducted from your eligible pay and lower your taxable income when made. Any earnings accrue tax-deferred and you pay taxes when the funds (both contributions and earnings) are withdrawn from the TDA. By contrast, Roth contributions are deducted from your eligible pay after taxes are taken, and do not lower your taxable income. Any earnings on Roth contributions accrue tax-free and you pay no taxes when you withdraw Roth contributions and earnings in the future, provided you are at least age 59 ½ or disabled and your withdrawal is made at least five (5) years after your first Roth contribution.

Beginning November 1, 2021, participants may elect to convert any or all of the pre-tax savings in their TDA toafter-tax (Roth) savings. This is known as a "Roth In-Plan Conversion."

How does a Roth In-Plan Conversion work?

A Roth In-Plan Conversion allows you to elect to convert any or all of your pre-tax assets to Roth assets. This gives you the chance to build tax-free retirement income, and it may help you manage your tax liability in the future. But there is a cost – as any amount converted is treated as taxable income in the year of conversion—see below: *How are taxes handled for a Roth In-Plan Conversion?*

Why might you be interested in a Roth In-Plan Conversion?

A Roth conversion may be of interest if you:

- Expect your tax rate to be higher in the future.
- Are interested in diversifying your assets based on tax status.
- Plan to keep the money invested for at least five years after the conversion before taking a withdrawal.

Why might you be less interested in a Roth In-Plan Conversion?

A Roth conversion may be of less interest if you:

- Expect your tax rate to be lower in retirement than it would be at the time of conversion.
- Would be pushed into a higher federal income tax bracket as a result of the increase in your taxable income due to the conversion.
- Will need to access your money within five years of the conversion.
- Would find paying the tax owed on the amount of conversion a hardship.

How are taxes handled for a Roth In-Plan Conversion?

Since a Roth In-Plan Conversion converts pre-tax assets into after-tax Roth assets, you must pay income taxes on the pre-tax contributions and any associated earnings that you convert to Roth. Income taxes are not be withheld at the time of conversion. You could incur a sizeable state and federal income tax bill for the year of the Roth In-Plan Conversion, so we strongly recommend that you talk to your financial or tax advisor first, and make sure you have other funds available to pay your taxes.

A Roth conversion may trigger a requirement to make quarterly estimated tax payments, so you should familiarize yourself with the estimated tax rules to avoid a tax penalty.

At tax time you (and the IRS) will receive a Form 1099-R form showing the value of any Roth conversions you made during theprevious year.

How often can I convert pre-tax savings to Roth?

Roth In-Plan Conversions are limited to once per year.

Is there a limit on how much I can convert?

There is no limit to how much you can convert.

Can I change my mind after I make a Roth In-Plan Conversion?

No. Once the funds have been converted the conversion cannot be reversed. Roth In-Plan Conversions are irrevocable.

Must my spouse consent to my Roth In-Plan Conversion?

No. A Roth In-Plan Conversion is not treated as a distribution requiring your spouse's consent.

Can I make withdrawals of my converted Roth amounts?

Once contributions are converted, you can withdraw those converted funds when you are eligible to do so underthe terms of the TDA plan--generally following attainment of age 59 ½, severance from employment, disability, or death. There is a five-year holding period required for tax-free withdrawal of Roth 403(b) earnings from retirement plans. The five-year period begins with the beginning of the year in which you first conduct a Roth In-Plan Conversion, or in which you make your first Roth 403(b) salary deferral contributions, if earlier.

When might my converted Roth amounts be subject to tax when withdrawn?

If you are under age 59½, the 10% early distribution penalty tax is waived at the time of conversion. However, if youwithdraw any of the converted amount within five years of the conversion and you are still under age 59½ at thetime of the withdrawal, you will owe the 10% early distribution penalty that was waived at the time of the conversion – unless an exception, such as disability, applies. The five-year holding period, which is applied separately to each Roth In-Plan Conversion, begins on the first day of the calendar year in which you elect a Roth In-Plan Conversion. This five-year period is independent of the five-year period discussed above for the tax-free distributions of earnings.

How can I obtain more information about Roth In-Plan Conversions?

- Online: Visit TIAA.org and *Log in*. If you're new to TIAA, select *Log in*, then *Register for OnlineAccess*.Follow the on-screen directions to access your account.

- Phone: Call TIAA at 800-527-1398, weekdays, 8 a.m. to 5 p.m. (ET). Please note that TIAA will be closedFriday, December 24, 2021, and the Harvard University Benefits Office will be closed from 12/24/2021 until 1/3/2022.

- One-on-one: To schedule a virtual one-on-one session with TIAA, call 800-732-8353, weekdays, 8 a.m. to8 p.m. (ET). You can also schedule a meeting online at TIAA.org/schedule now. To protect health and safety of during the coronavirus outbreak, TIAA is conducting individual one-on-one sessions by phone and online.

  PLEASE NOTE: Although every effort has been made to accurately describe the Roth in-plan conversion feature, Harvard ***cannot advise on any personal income tax requirements or issues***. This communication is for general information only and does not represent personal tax advice. You are strongly encouraged to seek professional tax advice for personal income tax questions and assistance.