

Better preparation for retirement starts now

Harvard University TDA Plan



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Checklist: What you need to do

- ✓ **Review this booklet** for an overview of Harvard's Tax-Deferred Annuity (TDA) Plan and the benefits of pretax and after-tax Roth savings to meet your long-term goals.
- ✓ **Learn if you are eligible** for automatic enrollment and automatic escalation.
 - NOTE: Faculty, administrative and professional staff, members of the Area Trades Council, and members of HUCTW (hired on or after 1/1/24) are automatically enrolled in the TDA Plan. If you are not hired into one of those groups, you will not be automatically enrolled but you are eligible to participate voluntarily. See page 7 for more information about the auto-enrollment program.
- ✓ **Enroll online or contact the Harvard University Retirement Center (HURC) to elect your TDA contribution** if you are not covered by the auto-enrollment program or wish to make a different contribution election. You can enroll online by clicking on the *Harvard University Retirement Center* link under *Employee Tools* on hr.harvard.edu or go to tiaa.org/harvard. You may call the HURC at 800-527-1398.
- ✓ **Learn more about your investment** options, including the Vanguard Target retirement funds (the default investments) as well as the core funds, annuities, and the self-directed brokerage option. To view the full list of investment options, visit tiaa.org/harvard and select Investment Options. Past performance is not indicative of future returns; please review a prospectus before investing.
- ✓ **Link to other online tools and information.** Find links to helpful online tools to help you figure out if you're saving enough at hr.harvard.edu> Total Rewards>Retirement>Retirement Education & Planning Resources.
- ✓ If you need more assistance, you can **schedule a one-on-one session**. To schedule an appointment, contact:

TIAA: 800-527-1398
tiaa.org/schedulenow

Life can be complicated. Saving for retirement doesn't have to be.

No matter where you are in your career, it is always a good idea to plan ahead for retirement. Important retirement decisions you make today could impact your future financial security.

Why should you participate in the TDA Plan?

For most people, retirement income will come from a number of sources, such as Social Security, retirement benefits from different employers, and personal savings and investments.

How much money you need to live comfortably during retirement depends upon your future expenses and goals for retirement. No matter your goals, to meet income-replacement needs for a retirement that could last 20 to 30 years or longer, most people will need to save in addition to any government and employer benefits.

That's where the Harvard Tax-Deferred Annuity (TDA) Plan comes in. The TDA Plan offers an easy, flexible account for additional retirement savings:

- The money in a TDA is always yours — there is no vesting period.
- The assets are fully portable.
- With tax deferral, your contributions reduce your pay by less than you might think.
- With Roth, earnings on your after-tax contributions grow tax free.
- Signing up is easy online.



Your Harvard TDA Plan: An overview

The Harvard Tax-Deferred Annuity (TDA) Plan provides:

Tax advantages of pretax contributions: Contributions are made on a pretax basis, reducing your taxable income. Any investment earnings then grow tax deferred, so you don't pay taxes until you withdraw them, usually during retirement.

Tax advantages of Roth after-tax contributions: Contributions are made on an after-tax basis. Any earnings accumulate tax free and you pay no taxes when you withdraw money from the Roth option in the future, provided you are at least age 59½ or disabled and your withdrawal is made at least five years after your first Roth contribution.

Convenient payroll deductions: Your contribution amount is deducted automatically from your paycheck.

A wide range of investment choices: You can invest in mutual funds from Vanguard and Schwab, and annuities from TIAA. These investments give you flexibility to create a diversified retirement portfolio.

Immediate vesting: You own the money in your account at all times and it is fully portable when you leave Harvard.



How the TDA Plan works

- The TDA Plan provides the opportunity to save and invest supplemental funds (beyond those provided by employers or Social Security) for retirement. You own the account from day one of savings (no waiting or vesting period).
- You can invest your TDA Plan in a selection of mutual funds from Vanguard and Schwab, and annuities from TIAA.
 - If you make no investment selection for the TDA Plan, your contributions will automatically be invested in a Vanguard Target Retirement Fund closest to the year you turn 65. Visit ttaa.org/harvard and select Investment Options for a list of the available funds.
 - A target retirement fund is a low-cost, diversified fund that adjusts its asset allocation to become more conservative as it approaches the target date. Because these funds are well-diversified and adjust automatically over time, they are designed to be a one-fund approach to retirement investing.
- The TDA Plan allows you to accumulate the savings you need for retirement on a pretax or Roth after-tax basis.

Pretax example:

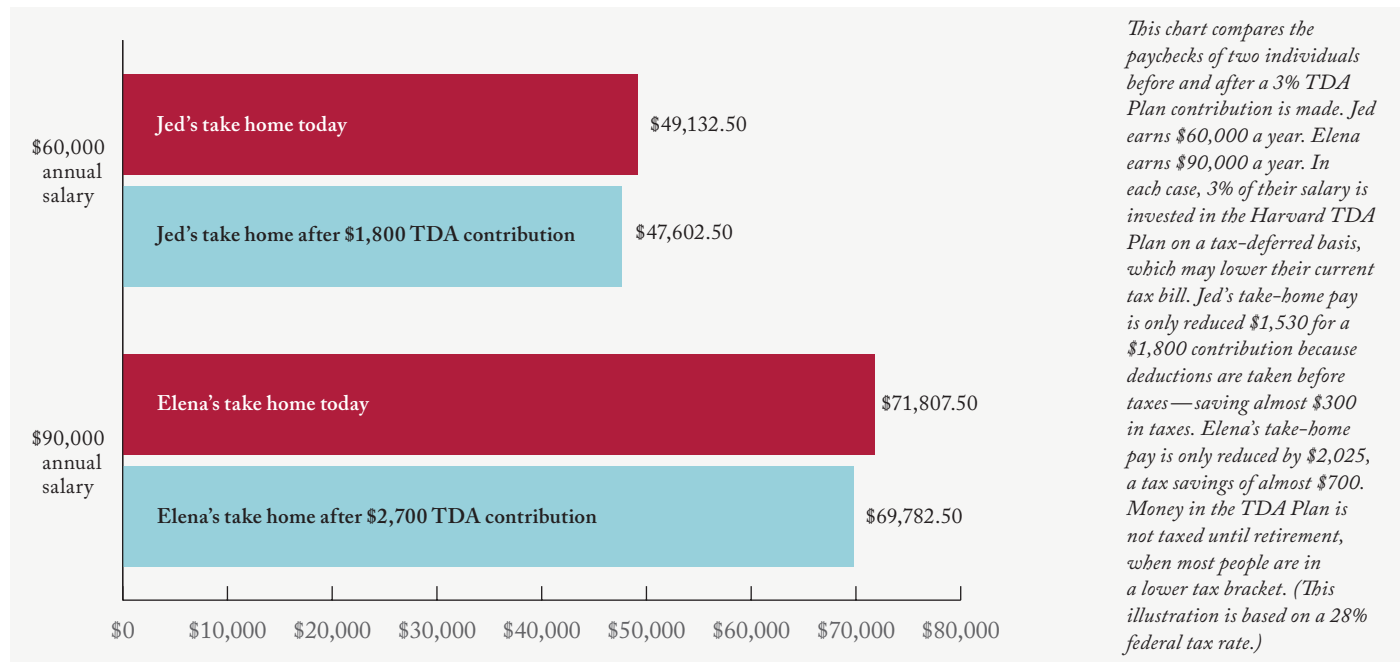
- A \$100 pretax contribution will reduce your take-home pay by about \$60, assuming a 28% federal tax rate.
- Earnings accumulate on a tax-deferred basis as well.
- Saving over the course of your career helps you take advantage of the power of tax-deferred growth.

Roth example:

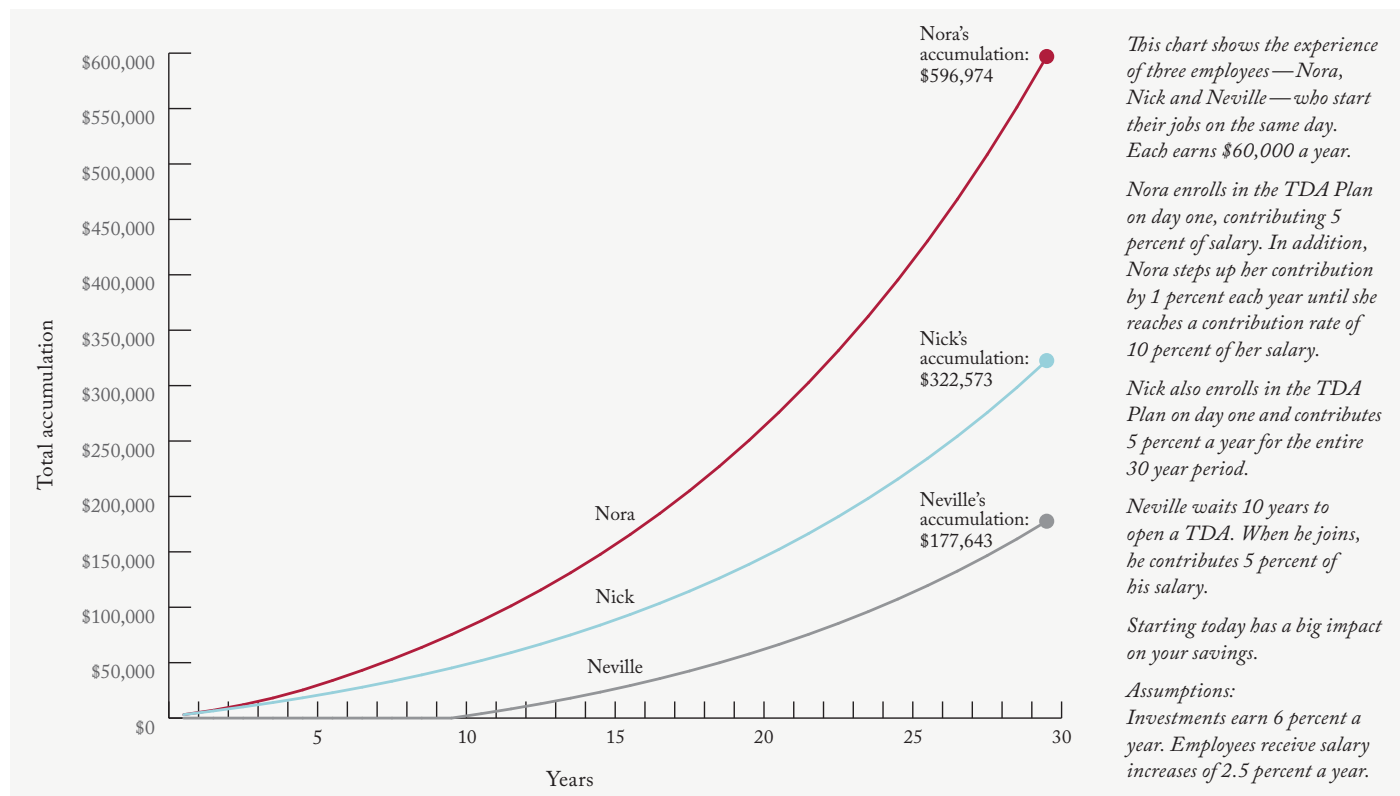
- A \$100 Roth contribution will reduce your take-home pay by \$100.
- Earnings accumulate tax free.
- You cannot withdraw your TDA funds before age 59½, unless:
 - You take a financial hardship withdrawal, as defined by the IRS; you will owe a 10% penalty if you are under age 59½.
 - Alternatively, you may take a loan against your TDA balance subject to the rules of the TDA loan policy.
- For additional details, go to hr.harvard.edu and select Total Rewards>Retirement>Employee-Funded Retirement Programs.
- A note about deductions:
 - If you have multiple jobs with the University and elect a percentage deferral, that percentage will be taken from all your eligible pay. If you elect to contribute a specific dollar amount, it will be deducted from the eligible pay on the paycheck associated with your primary University job.

The benefits of tax-deferred savings

Impact on paycheck



Impact on savings over time



Harvard TDA Plan enrollment options

Automatic enrollment

Faculty, administrative and professional staff, members of the Area Trades Council, and members of HUCTW (hired on or after 1/1/24) are automatically enrolled into the TDA Plan. Please note, if you are not in one of those groups, you are eligible to participate voluntarily. See the Voluntary Participation section below.

If you are eligible for automatic enrollment and you take no action, you will be automatically enrolled in the TDA Plan 60 days after your Harvard employment start date at the initial default pretax contribution of 3% of your eligible pay.

However, even if you are eligible for automatic enrollment, you may enroll in the TDA Plan at any percentage point of your eligible pay sooner than the 60-day waiting period.

Please note, if you are contributing to a 403(b) plan with another employer — or have done so this calendar year — be sure not to exceed the annual IRS contribution limits.

Each January, there will be a one percentage point increase in your contribution, until you reach 10% of eligible pay (or the applicable IRS annual contribution limit, if less) — this is “automatic escalation.” You will receive a notice of the upcoming increase each fall.

You may increase or decrease your TDA contributions from the 3% (pretax) default at any time (changing your pretax contribution to Roth after-tax or a combination of the two will cancel automatic enrollment and automatic escalation participation).

Your contributions will be invested in a Vanguard Target Retirement Fund based on your age. You can select a different investment option(s) from Harvard’s available choices by going to tiaa.org/harvard, or by calling the HURC at 800-527-1398.

If you want to change or cancel your TDA contributions, go to hr.harvard.edu and select *Harvard University Retirement Center* under *Employee Tools* at the bottom of the page. Follow the screen prompts to enroll in the TDA and select investments.

How to cancel automatic enrollment

You have 60 days from your first TDA automatic contribution to cancel and request reimbursement of any TDA contributions.

If you decide to cancel your automatic enrollment, go to hr.harvard.edu and select *Harvard University Retirement Center* under *Employee Tools* at the bottom of the page. Follow the screen prompts to cancel participation or make other changes to your TDA. Or, call the Harvard University Retirement Center (HURC) at 800-527-1398, weekdays, 8 a.m. to 10 p.m. (ET).

To request reimbursement within 60 days of your first contribution, call the Harvard University Retirement Center (HURC) at 800-527-1398, weekdays, 8 a.m. to 10 p.m.

After 60 days, funds will be held as retirement savings.

Voluntary participation

Employees who are not eligible for automatic enrollment in the TDA Plan, or those who wish to enroll sooner or contribute more than the default 3%, may choose to enroll in the TDA Plan at any time.

You can enroll online by clicking on the *Harvard University Retirement Center* link under *Employee Tools* on hr.harvard.edu or go to tiaa.org/harvard to log in to your account and manage your participation.

Comparing Roth after-tax and pretax contributions

The following table will help you compare the differences between making a \$3,000 annual Roth after-tax contribution and a \$4,000 pretax contribution to the TDA Plan. The illustration assumes an annual return of 6% over 20 years, and the future value of your account will depend on the actual rate of return plus your tax bracket before and after you retire.

The bottom three rows of the chart reveal three scenarios, illustrating different tax situations.

If you expect your tax bracket to increase, the Roth contribution option may provide you with greater tax savings over the long run. If you anticipate that you will be in a lower tax bracket in the future, pretax contributions may benefit you more in the long run.

It's difficult to predict what your future tax situation will be, but you'll want to consider that and also take into consideration what type of contribution will help your current tax situation as you compare the two TDA options. Remember, you can also split your contributions between the two options.

	Roth after-tax contributions	Pretax contributions
Annual contribution	\$3,000	\$4,000
Annual tax savings	\$0.00	\$1,000
Effect on annual income	(\$3,000)	(\$3,000)
Future account value	\$116,978	\$155,971
Tax bracket remains the same in retirement.	\$116,978	\$116,978
Future account value (after taxes paid)—assuming 25% bracket before and after retirement		
Tax bracket is higher in retirement.	\$116,978	\$109,180
Future account value (after taxes paid)—assuming 25% bracket while working and 30% bracket after retirement		
Tax bracket is lower in retirement.	\$116,978	\$124,777
Future account value (after taxes paid)—assuming 25% bracket while working and 20% bracket after retirement		

This illustration is hypothetical and not intended to represent the performance of any specific investment product, and cannot be used to predict or project investment performance. Charges and expenses that would be associated with an actual investment are not reflected.

Selecting your investments: What works best for you

A key part of enrolling in the TDA Plan will be selecting your investments. Choosing investments that match your goals and preferences is important. Harvard offers a variety of investment options for its retirement plans including the TDA Plan, giving you the flexibility to choose ones that align with your objectives and work for your investing style.

Remember, you may change your investment election at any time. A list of Harvard's investment options is available at hr.harvard.edu under Total Rewards>Retirement> Investment Options.

What kind of investor are you?

- Do you enjoy doing your own research about investments and choosing for yourself?
- Do you feel comfortable monitoring investments and reviewing your strategy on a regular basis?

If you answered **No** to these questions, you may want to review *Option A: One-step investing with target-date funds* (page 9).

If you answered **Yes** to these questions, take a look at *Option B: Pick your own investment mix* with Core Funds or the Brokerage Account (page 10).





Option A: One-step investing with target-date funds

Target-date funds (also called lifecycle funds) are “premixed” funds that simplify retirement investing. Target-date funds provide broad diversification and generally invest more aggressively in their early years, adjusting assets to become more conservative as they approach their target date. Most people select a fund with a target date that corresponds to the year when they expect to retire.

If you elect a TDA and do not make any investment election, your money will be automatically invested in a low-cost target-date fund with Vanguard that corresponds with the year you turn 65; this is the default fund for the TDA Plan. If you plan to retire earlier or work past 65, you may choose to invest in a target-date fund with a different target date.

Target-date funds are considered *best practice* choices for retirement investing. Once you invest your money in a target-date fund, you only need to check on it periodically when you review your retirement planning. That’s because target-date funds offer:

- **“Built-in” diversification.** Target-date funds are broadly diversified, investing in a variety of major asset classes.
- **Automatic asset allocation and rebalancing.** Target-date funds shift the fund’s investment mix from more aggressive to lower-risk investments as they approach the fund’s target date. No need to worry about adjusting your portfolio—it’s done for you.
- **Low investment fees/costs.** The target-date funds in Harvard’s plans have low fees. Low fees mean you keep more of the money.

Note: Please remember that diversification and reallocating/rebalancing cannot ensure a profit nor eliminate market risk. Rebalancing does not protect against losses or guarantee that your goals will be met.

Remember, you may change your investment election at any time. A list of Harvard’s investment options is available by visiting tiaa.org/harvard and selecting Investment Options.

Option B: Pick your own investment mix

While target-date funds offer many advantages, Harvard knows that faculty and staff value flexibility and choice. If you want to spend more time managing your retirement investments, and understand risk and other financial basics, there are two additional investment strategies available in Harvard's retirement plan.

Core Funds: You build and manage your portfolio

The Core Fund lineup includes money market, bond, U.S. stock and international funds. You can create your own asset mix from the available investment options, based on your long-term savings goals.

One of your most important investment decisions will be the percentage you allocate across the asset classes. How you diversify your investments will determine the risk and potential return of your investments.

You can invest in mutual funds from Vanguard and Schwab, and annuities from TIAA.

To view the full list of investment options, visit ttaa.org/harvard and select *Investment options*.

Brokerage Account: Maximum flexibility for expert investors

Brokerage accounts are designed for sophisticated investors who prefer to have a great deal of control over their investments. Brokerage accounts provide access to several thousand funds from many investment companies. Harvard also offers brokerage accounts.

While this offers expanded flexibility, it also comes with additional personal responsibility. It requires a lot of *homework* and hands-on management of your account. You will need to establish a brokerage account and make your investment elections within the account.

You may incur additional transaction fees for trades and ongoing fund management. Contact the HURC at **800-527-1398**, weekdays, 8 a.m. to 5 p.m. (ET), or visit **hr.harvard.edu** for details on the Brokerage accounts and to request a Brokerage Account application.

Brokerage is not available with the Roth feature.



For questions

Harvard University Retirement Center (HURC): 800-527-1398

Weekdays, 8 a.m. to 5 p.m. (ET)

Additional tools and advice (by phone, in person or online)

Financial planning and guidance tools are available to Harvard participants. Go to hr.harvard.edu under Total Rewards>Retirement>Retirement Education & Planning Resources.

- To meet with your TIAA financial consultant, call **800-527-1398** or visit tiaa.org/schedulenow.

Additional resources

- **Roth Contribution Option Brochure:** Go to hr.harvard.edu/files/humanresources/files/harvard_roth_brochure.pdf
- **Summary Plan Description (SPD):** Select *Total Rewards>Retirement* and click on *Retirement Plans Summary Plan Description (SPD)* on the far right, or call the Harvard University Retirement Center at **800-527-1398**.
- **EACA:** Go to hr.harvard.edu/files/humanresources/files/eacanotice.pdf
- **QDIA:** Go to hr.harvard.edu/files/humanresources/files/qdianotice.pdf
- **Fee disclosures:** For prospectuses, and plan- and investment-related information including plan fees and expenses, and current investment performance please contact: tiaa.org/planinvestmentoptions and enter 100314

