Life

MIDLAND NATIONAL®
A Sammons Financial Company

Midland National® Life Insurance Company

RETIREMENT PLANNING

403(b) Plans

CONCEPT APPLIED:

Employees of public school systems, state colleges and universities, and tax-exempt organizations (such as charities and hospitals) can maximize retirement savings in a 403(b) plan by starting early, contributing as much as possible, and taking full advantage of any employer matching funds.

HOW IT WORKS:

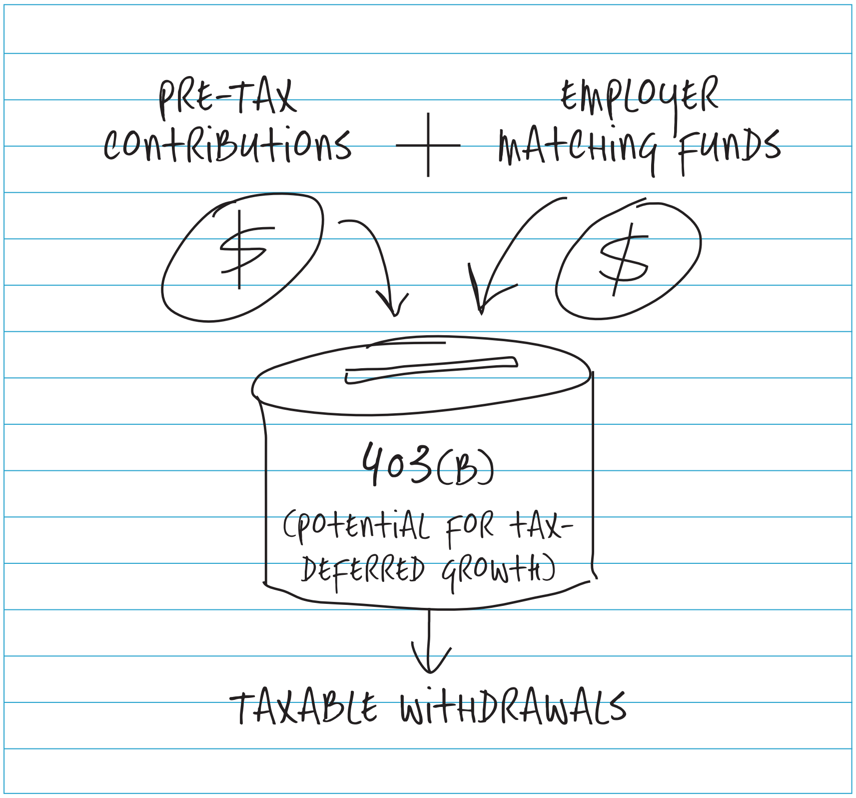
Eligible employees can defer a percentage of pre-tax salary up to the annual limit ($24,500 in 2026, or $32,500 for those over 50, with a special $35,750 limit for participants age 60-63).* Withdrawals from the plan are taxable as income and may be subject to an additional 10% tax penalty if taken before age 59½. Many employers match all or part of each contribution. In most cases, employees must begin taking annual required minimum distributions (RMDs) in the year they reach age 73.

WHY IS IT USEFUL?

Tax deferral can have a significant impact on the overall growth potential of retirement accumulations. In addition, many retirees enjoy a lower tax bracket during retirement. This means retirees could pay lower taxes on withdrawals than they would have paid on the original contributions.

50 WORDS OR LESS

A 403(b) plan is a retirement plan similar to a 401(k) plan, but offered through a tax-exempt organization. Employees can defer a portion of pre-tax salary into the plan, often matched by a specified employer contribution. Any growth is tax deferred. Funds are taxable (as ordinary income) only when withdrawn.



* Internal Revenue Service Notice 2025-67 provides technical guidance regarding cost-of-living adjustments affecting retirement-related items for tax year 2026.

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