



## UNIVERSITY OF WASHINGTON VOLUNTARY INVESTMENT PROGRAM

### WHAT IS THE VOLUNTARY INVESTMENT PROGRAM (VIP)?

The VIP is an optional, unmatched retirement savings opportunity, under Section 403(b) of the Internal Revenue Code (IRC).

University of Washington employees can use the VIP either to tap into the tax advantages of pre-tax savings, and/or by making after-tax (Roth) contributions to create a tax-free account for retirement. The VIP lets you save beyond the University's mandatory retirement plans. It's not necessary to be enrolled in one of the basic UW retirement plans to use the VIP, and you may enroll at any time.



### ROTH 403(B) CONTRIBUTION FEATURE FOR VIP

The Roth 403(b) contribution feature allows for qualified after-tax contributions to grow and be withdrawn tax free, subject to IRS restrictions on withdrawals. Unlike a traditional pre-tax 403(b), the Roth 403(b) allows you to designate all or a portion of your VIP 403(b) contributions as an after-tax Roth contribution. Talk with a Fidelity Workplace Planning and Guidance Consultant for help deciding whether the Roth 403(b) makes sense for you.

### WHO CAN PARTICIPATE IN THE VIP?

As a University employee, you're eligible to participate in the VIP unless you are a nonresident alien who receives no U.S.-source earned income, or you receive a stipend. (Stipends, as defined by the Department of Labor, are not reportable as wages on IRS Form W-2 and therefore are not subject to federal withholding taxes.)

### WHAT ARE THE ADVANTAGES?

VIP deductions can be taken from your gross salary either before or after federal income taxes are calculated. It's up to you. You can choose to pay less tax now and allow the contributions to grow tax-deferred until you request a distribution, or you can elect to contribute to VIP after-tax (Roth), in which case your contributions and any earnings may be tax-free in the future as described below. You can choose to contribute either way—or both. VIP contributions are automatically deducted from your paycheck, so you avoid the temptation to spend the money each pay period. Finally, the VIP allows you to change the amount you save—or begin or end contributions—in any pay period of your participation.

### WHAT SHOULD I CONSIDER REGARDING VIP PARTICIPATION?

VIP funds should be regarded as unavailable until you reach age 59 ½ or separate from the University, with the exception of a loan or hardship withdrawal. Distributions of any pre-tax contributions may be subject to federal income taxes, and a 10% tax penalty may apply.

### CONTRIBUTION LIMITS AND PROVISIONS

You can contribute as little as \$15 per pay period (for each pre-tax or after-tax election) or as much as 75% of your pay, not to exceed the overall 403(b) maximum IRS contribution limits for a combination of pre-tax and after-tax contributions. The IRS sets maximum annual limits on employee and employer contributions to defined contribution retirement plans like the UW Retirement Plan (UWRP) and VIP. If you are age 50 or over, you can contribute more than the general maximum contribution limits due to the "Age 50 Catch-up" provisions. More information about these maximum contribution limits can be found at <http://hr.uw.edu/benefits/retirement-plans/optional-retirement-plans/uw-voluntary-investment-program/>

Your personal VIP limits can be viewed online via UW Employee Self Service (ESS). The UW retains the right to stop your VIP contributions and/or refund contributions if necessary to ensure compliance with IRS rules.

**NOTE: In the event of either retirement or termination, your earnings in a Roth 403(b) can be withdrawn tax free as long as it has been five tax years since your first Roth 403(b) contribution and you are at least 59½ years old. In the event of death, beneficiaries may be able to receive distributions tax free if the deceased started making Roth contributions more than five tax years prior to the distribution.**

## INVESTMENTS

The University of Washington has selected Fidelity Investments as the master administrator for the VIP. Fidelity hosts the mutual funds authorized by the UW for the plan. In addition, there are several annuities available through TIAA. You can select from a variety of mutual funds and annuities, or you can explore the options available in Fidelity BrokerageLink®, a self-directed brokerage account which provides expanded investment choices from thousands of mutual funds.

How an investment performs hinges on many factors. As an investor, you can't control many of these factors—the returns of the markets, for example. But you can control others—such as how you approach investing, the factors you deem important in developing your portfolio and keeping it on track, the cost of the investments you choose, and what you look for when choosing the investment companies with whom you do business. Investors who focus on the factors that they can control will have taken the most effective approach toward investment success over the long term.



## ENROLL IN THE VIP

Before you enroll, please review the online information to learn more and make sure that the VIP is right for you. Then, you will need to determine the specific funds in which you wish to invest. You can enroll in VIP online at the UW Fidelity website: <https://nb.fidelity.com/public/nb/UW/home>.

## WHEN DO I HAVE TO BEGIN RECEIVING PAYMENTS FROM MY VIP?

For your pre-tax contributions to the VIP and any earnings, the Internal Revenue Code requires that you begin receiving required minimum distributions by April 1 of the year following the year you turn age 70 ½ or retire from the UW, whichever is later. If you are still employed by the UW after you turn 70 ½, you may delay distributions until your retirement, and you may continue to contribute to your account.

**Your Roth 403(b) is subject to the Minimum Required Distribution (MRD) rules. However a Roth 403(b) can be rolled into a Roth IRA which has no such requirements. Contact Fidelity for additional information. Your after-tax (Roth 403(b)) contributions and earnings to the VIP are not taxed when accessed as long as it has been five tax years since your first Roth 403(b) contribution and you are at least 59 ½ years old.**



## WHERE CAN I GET MORE INFORMATION?

- Consult the Benefits website at: <http://hr.uw.edu/benefits/retirement-plans/optional-retirement-plans/uw-voluntary-investment-program/>
- Contact Fidelity at **1-800-642-7131**
- Contact TIAA at **1-800-842-2252**

## QUESTIONS & COUNSEL

As the VIP plan administrator, UW Benefits provides general education to help you make choices that suit your individual situation and goals. However, UW Benefits cannot provide specific investment, tax, or legal advice. If you have questions that are not of an administrative nature, please discuss them with qualified financial, tax, or legal counsel.

[ Rev 03/17 ]

