

What is your retirement contribution goal?

Updated for **January 2019**

IRS limits and regulations can be tricky to understand. While we cannot provide legal or tax advice, below are some basic tips we hope you find useful in reaching your goal.

Questions? Contact Human Resources/Employee Services

Phone: (501) 686-5650

Email: AskHR@uams.edu

If you need to change your retirement contribution, you'll find the form on our website, www.hr.uams.edu – click on Forms at the top and then look under Benefit Forms. Complete the form and fax to (501) 686-5386. Or scan and email to AskHR@uams.edu.

Get the maximum UAMS match

DO THIS:

- Make sure you're contributing at least 10% or more from every pay check. Include your required contribution, for example 7% voluntary plus 3% required = 10% total. Do this at least until your pay for the year reaches \$280,000. This is the IRS "comp limit" which affects high earners. UAMS contributions end when your wages reach this comp limit.
- To make a change, fill out a new form and make sure "My Total Contribution" is at least 10% (because when combined with the 3% required contribution = 10%). Remember, effective July 2019 the required contribution increases from 3% to 4%. Starting then you will need to contribute at least 6% on a voluntary basis to receive the maximum 10% UAMS match.

Contribute all you can on a tax-deferred basis. Then stop.

This works best if you haven't yet been paid in 2019. Or to do a mid-year calculation, click [here](#) to visit our retirement website where you will find a "2019 calculation" Excel spreadsheet. Contact our office if you need help. Following is an explanation of how the calculation works.

DO THIS:

- Start with one of these numbers: **38,000** if you will be less than age 50 as of Dec 31, 2019. Or **50,000** if you will be age 50 or older. These are the combined 403(b) and 457(b) tax deferral limits.

- Subtract any voluntary – but not required - tax-deferred contributions you’ve contributed so far this year. That means anything you’ve done at UAMS year-to-date. Also subtract any contributions you have or will make this year to another employer retirement plan, such as the VA Thrift Savings Plan or your previous employer. (If this applies to you, we need you to report this to us so we can help you avoid an excess deferral – contact our office.)
- Take that number, which is the figure of how much left you can contribute on a tax-deferred basis at UAMS, and divide by how much you’ll earn at UAMS for the remainder of the year. Include base pay and incentives, but not overtime pay.
- The result is the voluntary % you need to contribute from every paycheck in 2019 in order to hit your tax-deferred limit by Dec 31, 2019.
- BUT... if that % combined with the required % means your total contribution would drop under 10%, don’t reduce your contribution below that level. Otherwise you would lose the full UAMS match (unless your pay is already over \$280,000 for the year). Keep in mind that the University matches your TOTAL contribution, whether it’s a voluntary contribution or a required contribution. That’s why you need to do at least 7% from January to June 2019, then at least 6% from July to December 2019, because adding in the 3% or 4% required contribution brings your total contribution to 10%.
- Fill out a new form. Do not check the box electing to rollover to after-tax once all your pre-tax limits are reached. (Contact our office if you have questions about this.)
- The required pre-tax contribution, which increases from 3% to 4% on 7-1-2019, does not count toward the pre-tax limit. Why? Because it is a “required” contribution, a condition of your employment. Only voluntary or “elective salary deferrals” apply to the pre-tax limit. Therefore the required percent will continue to be deducted even after you fill up your pre-tax buckets.
- You may need to review your calculation after July, as a salary change will affect your calculation. Too, your voluntary contribution will automatically be reduced by 1% so that it can shift to required status.

Contribute all you can, period.

In other words, after you do all you can on a tax-deferred basis, keep contributing on an after-tax basis.

This calculation is complicated. Few elect to do this. Once you reach your tax-deferred limit, the amount you can contribute on an after-tax basis is affected by two things: (1) how much the University match will be by the end of the year, and (2) what your required contribution will be by the end of the year. So you have to back into this figure. Because there are so many variables that are based on estimates, we cannot give you a recommendation that will be 100% accurate. But we will do our best to explain the variables to you so that you can make an educated decision.

DO THIS:

- Start with \$9,000. Subtract from that your estimate of required contributions you’ll make by the end of 2019. Remember, it’s 3% through June, then 4% starting in July.

- Then if you will make less than \$280,000 this year, calculate what the UAMS match will be for the entire calendar year. Add the difference between that figure and \$28,000 to the figure above.
- Then divide this figure by how much pay you'll receive for the year (or the rest of the year). The percent from this calculation will need to be added on top of the percent you already calculated to get you to the maximum amount you can pre-tax. (We warned you this was difficult.)
- If you need to change your %, fill out a new form. Check the box to show you do want to rollover to after-tax.
- CAUTION: be careful not to contribute too high of a percent. It could cause you to hit your maximums too early in the year, including the maximum amount that can be contributed from all sources, employee and employer. If you hit that maximum too early, before your YTD salary reaches \$280,000, you'll lose some of the match.
- TIP: Rather than make after-tax, unmatched contributions, consider investing in a private mutual fund. One advantage of doing so is access to your money. Your University retirement account generally cannot be withdrawn until you retire or leave UAMS, whereas funds in a private mutual fund may be more accessible.

Contribute until the UAMS match is reached. Then stop.

- Sorry, we can't automate this for you in SAP.
- You'll have to monitor your paycheck to see when your YTD pay reaches \$280,000. At that point UAMS contributions will cease for the rest of the year.
- After you reach \$280,000, turn in a form to drop to 0%. This ends your voluntary contribution. But your required contribution of 3-4% will continue.
- But be sure to turn in another form to start contributing again in January next year. Remember, your current % contribution will continue unless you turn in a new form to change it.
- You can turn in both forms... "change now" and "change January next year" ... at the same time. We can key future transactions.