



# 403(b)(7) Custodial Account Employee Guide



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# A Versatile Retirement Savings Plan

If you want to enjoy a comfortable retirement tomorrow, you'll need to plan your savings carefully today. One of the most effective ways to do that is to take advantage of your employer's Invesco 403(b)(7) plan. It's a salary deferral plan similar to a 401(k) plan that allows employees of eligible, tax-exempt organizations to save for retirement through convenient payroll deductions. Eligible, tax-exempt organizations include public education institutions (school

districts, community colleges, public colleges and universities) and 501(c)(3) healthcare, charitable or religious employers. The plan offers:

- **A flexible, long-term savings solution**
- **Employee-friendly features**
- **Comprehensive investment options and support**

Read on for the details and then turn to the Custodial Account Application to sign up today.

# A Flexible, Long-Term Savings Solution

Today, people are living longer and have more expensive retirements than any previous generation. However, employer-paid retirement benefits are decreasing, and the costs of healthcare, housing and consumer goods grow every year. Ensuring that you have enough money to retire can be a major challenge—a common assumption is that most retirees will need at least 80% of their preretirement income to maintain the same lifestyle they had before leaving the workforce.

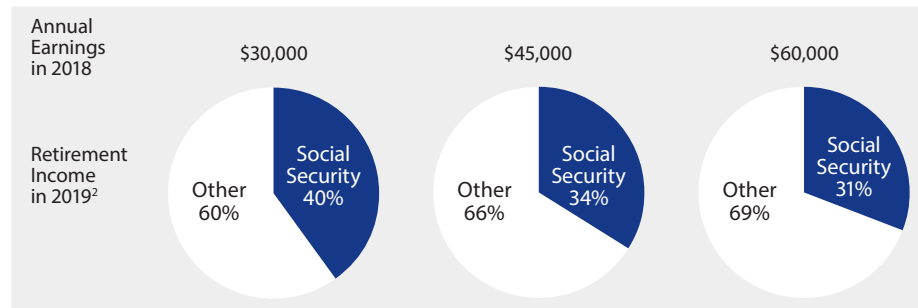
## A Plan Built Around Your Needs

A 403(b)(7) can make it easier to reach your retirement savings goals over time by letting you contribute either pre-tax or after tax—or both. Additionally, a 403(b)(7) plan allows you to base your annual contributions on your own financial needs and abilities.

Chart 1

### A Big Piece of the Pie

If you retired in 2019 at your full retirement age, here's a look at how much of your 2018 income Social Security would replace.<sup>1</sup>



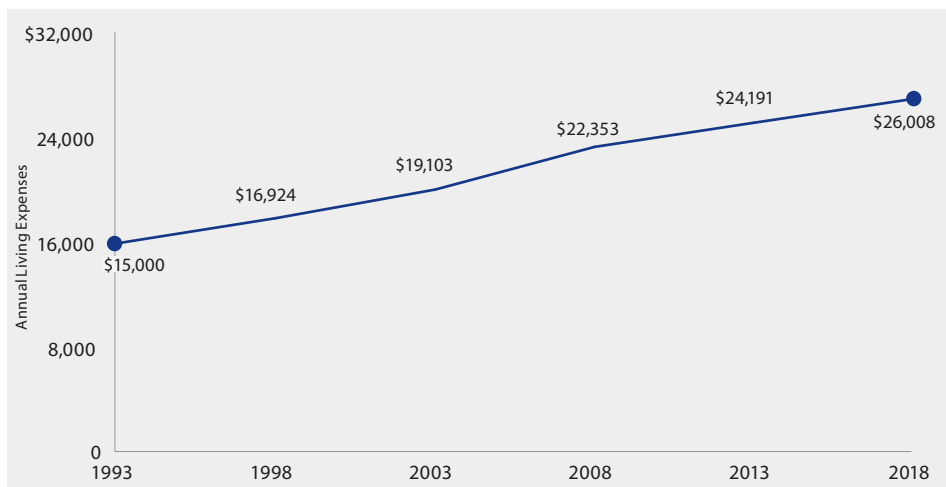
1. Percentages are based on approximate monthly benefits for an individual at full Social Security retirement age, assuming a steady work history and pay raises equal to the U.S. average throughout the beneficiary's working career.
2. Source: Social Security Administration Quick Calculator, 2018. For illustrative purposes only. Amount will vary with birthdate used. Percent is rounded up.

Even in years in which your employer’s financial situation might limit its contributions to traditional pension plans, you can still make significant deferrals to your 403(b)(7) plan. That means you can actively save for your retirement, even if your employer cannot.

When planning for your retirement, don’t forget about inflation—that constant upward creep in the prices of nearly everything you buy. Based on the actual rate of inflation over the last 25 years, this chart shows what someone who retired in 1993 with \$15,000 in annual living expenses would be spending in yearly costs by 2018.

Chart 2

### Increases in the Cost of Living (1993–2018)



Source: Federal Reserve Bank of Minneapolis, Consumer Price Index calculator.

### If You’re a Woman

Saving for retirement as much as you can may be even more crucial. Here’s why:

- Women, on average, live longer than men do. Thus, they tend to need more assets to ensure a comfortable retirement.
- Women tend to change jobs more frequently and often leave the workforce while their children are very young. Consequently, they may receive smaller traditional pensions than men.
- Because so many women take time off for family caregiving, those who do also tend to qualify for less income from Social Security. For example, the average monthly benefit for retired female workers based on their own earnings record is 79% of the average for men.

Source: Fast Facts & Figures About Social Security, December 2018.

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# Employee-Friendly Features

403(b)(7) plans are designed to help employees of eligible tax-exempt organizations save for their own retirement through payroll deductions. With a “traditional” 403(b)(7) plan, you can contribute on a pre-tax basis (with no federal income tax withheld, and, in most states, no state income tax withheld). If your employer offers a Roth 403(b)(7) feature, you can also contribute on an after-tax basis. Your contributions go right into your account and are invested in mutual funds you select with your financial advisor’s assistance. All employee deferrals “vest” immediately—which means they always belong to you.

## **Traditional 403(b)(7) Plans: Tax-Deferred Investing Can Help You Save More**

Not only are your contributions to a traditional 403(b) plan tax deferred until you withdraw them, so are any investment earnings. However, you’ll owe ordinary income taxes on both once you start making withdrawals in retirement.

The key advantage of tax deferral is that more of your money can work for you. For example, if your tax rate was 28% and your investments returned 10% a year, you would realize gains of only 7.2% after taxes. In contrast, a tax-deferred investment would return the full 10%, letting you put more money to work until you retire. Over time, this tax-deferred compounding can have a dramatic impact on your retirement savings.

### **403(b) Plan Document**

The provisions in your 403(b) plan are governed by the plan document. Rules regarding contribution limits, distributions and other optional features such as loans and Roth contributions are covered in the plan document. Check with your employer if you have any questions regarding your plan provisions or for a copy of the complete 403(b) Plan Document.

### **Contract Exchanges**

A contract exchange allows a participant to move their assets from one approved investment provider under the plan, to another. These investment providers are approved to receive ongoing contributions or have been approved in the past. Check with your employer for the list of approved investment providers in your plan.

For more information, please contact your financial advisor.

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## Roth 403(b)(7) Feature: Withdraw Earnings and Contributions Tax Free

The Roth feature offered by some 403(b)(7) plans lets you (1) fund your retirement account with money that's already been taxed, and (2) withdraw all these dollars and their investment earnings tax free, if you meet certain requirements. So, instead of getting a tax break now (as you would through pre-tax contributions to your traditional plan account), you get it later, when you take the money out. Other benefits include:

- **Higher contribution limits than a Roth IRA, with no income restrictions** You may contribute up to the annual maximum amount allowed by your plan (see "Contribution limits")—far more than the \$6,000 annual limit on the other available tax-free retirement savings alternative, the Roth IRA. In addition, there are no maximum income restrictions.
- **Extended tax-free growth** Your Roth 403(b)(7) account may be rolled over to a Roth IRA at retirement, avoiding distributions that become mandatory at age 70½ and extending the potential tax-free growth of your money.

## How Do You Decide Whether to Save Pre-Tax, After Tax or Both?

How you choose to save depends to a large extent on what your income tax bracket is likely to be in the future. Since there is no certainty, you might choose to balance your 403(b)(7) retirement savings by making some of your contributions pre-tax, and some after tax. You are subject to one overall maximum annual contribution limit whether you contribute to a traditional or Roth 403(b)(7) account, or a combination.

### 2019 Contribution Limits

In 2019, you can contribute up to 100% of your includible compensation up to \$19,000, plus an additional \$6,000 if you will be age 50 or older before the end of the tax year. These limits may be increased annually in \$500 increments based on increases in the Consumer Price Index.<sup>1</sup>

You may choose to make both traditional (pre-tax) and Roth (after-tax) 403(b)(7) contributions; however, the combined total cannot exceed the maximum limits described above.

In addition, if you've completed 15 or more years of service with your employer, you may be eligible to contribute an additional \$3,000 on top of the annual \$19,000 (\$25,000 if age 50 or older) limit, for five years. To determine your limit, refer to the 403(b)(7) Maximum Contribution Worksheet available at [invesco.com/us](https://www.invesco.com/us) or ask your financial advisor for assistance.

**Note:** Your employer can choose whether or not to offer a Roth 403(b) contribution option. Check with your employer to see if it is available.

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1. The **Consumer Price Index (CPI)** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Indexes are available for the U.S. and various geographic areas. Average price data for select utility, automotive fuel, and food items are also available.

As the following hypothetical case study shows, if all things are equal—particularly your federal income tax bracket now and your tax bracket when you take your withdrawals—you’ll end up with the same amount of money in a traditional 403(b)(7) or Roth 403(b)(7)

account. However, if your tax rate in retirement is higher than your tax rate when you contribute to your account, the Roth 403(b)(7) may be more advantageous. If your tax rate is lower at retirement, the traditional 403(b)(7) will likely be the better choice.

### Comparing Potential Tax Advantages: Traditional 403(b) Versus Roth 403(b)

	Traditional 403(b) (Pre-Tax)	Roth 403(b) (After Tax)
Current tax rate	30%	30%
Funds available for retirement savings	\$200/month	\$200/month
Funds saved after income taxes	\$200/month	\$140/month
Assumed average annual total return	6%	6%
Account value in 30 years	\$201,124	\$140,787
Same tax rate in retirement	30%	30%
Account value after income taxes	<b>\$140,787</b>	<b>\$140,787</b>
Higher tax rate in retirement	35%	35%
Account value after income taxes	\$130,731	<b>\$140,787</b>
Lower tax rate in retirement	28%	28%
Account value after income taxes	<b>\$144,809</b>	\$140,787

This chart assumes a fixed average annual rate of return of 6%, on a tax-deferred basis, with dividends and distributions reinvested. Withdrawals prior to age 59½ are subject to taxes and penalties. The hypothetical ending values may be subject to income tax when withdrawn. This hypothetical example is not intended to show the performance of any Invesco fund for any period of time, or fluctuation in principal value or investment returns. Periodic investment plans do not guarantee profit or protect against loss in declining markets.

### Comparing Features: Traditional 403(b) Versus Roth 403(b)

	Traditional 403(b) (Pre-tax)	Roth 403(b) (After tax)
2019 ~> limits	\$19,000	Same <sup>3</sup>
Age 50+	\$6,000	Same
Contributions subject to federal tax	No	Yes
Contributions subject to state tax	No (in most states)	Yes (if state taxes apply)
Taxation of distributions	Ordinary income tax	Tax free if: held five years <i>and</i> qualifying event
Rollovers permitted?	Yes (to IRAs or other “workplace plans”)	Yes, to other Roth accounts (Roth 401(k); Roth IRA)
Loans permitted?	Yes	Yes
Conversions permitted?	No	No

3. You may choose to make both traditional (pre-tax) and Roth 403(b) contributions. However, the combined total cannot exceed the maximum limits.



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In addition to offering two powerful ways to save, a 403(b)(7) from Invesco provides additional advantages other types of plans may not offer.

- **Cost\*** The annual maintenance fee for an Invesco 403(b)(7) plan is \$15.<sup>4</sup>
- **Loans** Because you never know when you're going to need your money, the Invesco 403(b)(7) plan features a loan provision. Generally you may borrow the lesser of half of your 403(b)(7) account balance or \$50,000, for any reason, without losing the tax-favored status of your account.<sup>5</sup> The interest you pay on the loan goes back into your 403(b)(7) account, where it's reinvested. There is a loan initiation fee of \$50, in addition to an annual loan maintenance fee of \$25 assessed in January of each year that the loan is outstanding. Contact Invesco at **800 959 4246** for more information. For your convenience, repayments are automatically

deducted from your bank's checking or savings account. Loans are available from the traditional and Roth balances. Please contact your employer regarding this optional feature in your 403(b) plan, and review this option with your financial advisor to see if taking a loan is advisable.

### **May Benefit from Steady Accumulation and Dollar Cost Averaging**

Regardless of whether you choose a traditional or Roth 403(b), investing regularly over a long period of time offers a key advantage: You're purchasing more mutual fund shares when prices are down and fewer when prices are high. This process is called dollar-cost averaging. Over the long run, dollar-cost averaging has the potential to even out your average cost per share relative to the market's price fluctuations. In essence, you're making the market's ups and downs work for you, rather than against you.<sup>7</sup>

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\* Other account-related fees and fund expenses may apply.

### **Portability Options<sup>6</sup>**

You may be able to roll over assets from your traditional IRA, 401(k), 403(b) or 457 plan into your traditional 403(b) plan and vice versa. This gives you the opportunity to consolidate your retirement assets into one account. You may roll over Roth 403(b) assets into another Roth 403(b), Roth 401(k) or Roth IRA. To take an eligible rollover distribution, you must experience a distributable event, such as separation from service, disability or attainment of age 59½.

To initiate a rollover into your employer's 403(b) plan, complete the 403(b)(7) Contract Exchange/Transfer/Rollover Form available at [invesco.com/us](http://invesco.com/us). Please contact your employer for additional requirements.

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4. If the total value of the participant's 403(b)(7) account investments in Invesco funds is \$50,000 or more, the annual maintenance fee is \$0.
  5. Contingent Deferred Sales Charges (CDSC) may apply when liquidating Class C shares as outlined in the prospectus. Fund prospectuses and summary prospectuses contain this and other information about the funds, and may be obtained by asking your financial advisor, visiting [invesco.com/us](http://invesco.com/us) or calling **800 959 4246**.
  6. Once assets from another plan type are rolled over into the Invesco 403(b)(7) account, they will not be tracked separately and will be subject to applicable 403(b)(7) rules.
  7. Systematic investment plans do not guarantee profit or protect against loss in declining markets. Before investing, investors should evaluate their long-term financial ability to participate in such a plan.

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# Comprehensive Investment Options and Support

When you open your 403(b)(7) account, you'll need to select the Invesco funds in which your contributions will be invested. As always, we remain committed to providing the investment solutions and services you need to help you reach your retirement savings goals.

## Comprehensive Investments

Invesco is a global asset manager with decades of experience serving the needs of retirement plan participants and sponsors, as well as their advisors. We offer investments across every major asset class, including U.S. and international equity and fixed income portfolios. We also provide innovative asset allocation strategies to help investors pursue specific investment and risk management objectives.

## Investor Services and Support

All 403(b)(7) participants have access to our website, **[invesco.com/us](https://www.invesco.com/us)**, where you'll find account information, fund descriptions and much more. In addition, Invesco Client Services is available to answer investor services and account inquiries, Monday through Friday from 7 a.m. to 6 p.m. CT. You can reach us at **800 959 4246**.

We also provide easy-to-read statements and fund exchange privileges by phone and Internet.

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# 2019 Fast Facts About the Invesco 403(b)(7) Plan

## Maximum Contributions

Generally you can contribute up to the lesser of \$19,000 or 100% of your includible compensation from your paycheck. If you are age 50 or over, you may contribute an additional \$6,000 each year. In addition, certain employees with 15 or more years of service may be able to make “catch-up” contributions up to an additional \$3,000. If your employer makes additional contributions on your behalf, the total of your contributions may not exceed 100% of your includible compensation up to \$56,000 per calendar year. Any contributions that exceed the limitations for a 403(b)(7) plan may subject you to taxes, penalties and interest. Check with your employer regarding special elections available in your plan. Before determining how much you will contribute on an annual basis, you should review the contribution limits with your financial advisor.

## ERISA and Non-ERISA

The Invesco 403(b)(7) plan accepts contributions for plans exempt from the Employee Retirement Income Security Act of 1974 (ERISA). Plans sponsored by public education employers are exempt from ERISA. Churches and other qualified religious organizations are considered exempt from ERISA if they have not filed an election to be covered under ERISA. A 403(b) plan sponsored by a non-governmental 501(c)(3) employer may not be exempt from ERISA if the plan makes employer contributions or does not otherwise qualify for ERISA exemption under Department of Labor regulations.

## Employer Contributions

Your employer may choose to make employer contributions on your behalf.

Your employer can also contribute on your behalf with the total of your contributions and your employer's contributions subject to the limit of 100% of your includible compensation, or \$56,000 per calendar year. If you are receiving or expect to receive employer contributions, your employer must keep the following in mind:

- The Invesco 403(b)(7) plan requires that all contributions be 100% immediately vested.
- Employer contributions made by 501(c)(3) employers that are not governmental in nature will cause the plan to be an ERISA plan.

## Investment Accounts

You have access to a broad spectrum of mutual funds in your 403(b)(7) account. Invesco funds are available in a range of investment objectives designed to suit nearly every financial goal, and investors at various life stages.

## Contract Exchanges

If you have not experienced a qualifying event such as separation of service, disability or attainment of age 59½, and you wish to transfer your 403(b) assets within your current employer's plan from one provider to another, you may do so via a contract exchange. If the contract exchange satisfies the requirements of the Internal Revenue Code, it will be a non-reportable transaction. You may only execute a contract exchange to a provider your current employer has named as an approved provider or with whom your current employer has an Information Sharing Agreement (ISA). Check with your employer regarding the availability of contract exchanges in your plan.

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## 2019 Fast Facts About the Invesco 403(b)(7) Plan (*continued*)

### Plan-to-Plan Transfers

Upon separation from service, you may elect to move your 403(b) assets to a 403(b) with your new 403(b)-eligible employer. Both your prior employer and your new employer must allow for plan-to-plan transfers. If the plan-to-plan transfer satisfies the requirements of the Internal Revenue Code, it will be a non-reportable transaction. These transferred assets are subject to all plan rules of the receiving plan. Check with your employer regarding the availability of plan-to-plan transfers in your plan.

### Rollovers

If you experience a distributable event, such as the attainment of age 59½, termination of employment, or retirement, you may be able to roll your 403(b) assets over into an IRA or other qualified retirement plan. Likewise, you may also roll over assets from your IRAs into your employer's 403(b)(7). Check with your employer regarding the availability of rollovers into your plan.

### Loans

If you have not previously defaulted on a loan, you are eligible to borrow the lesser of 50% of your 403(b)(7) account balance or \$50,000. Furthermore, IRS regulations require that the \$50,000 limit be reduced by the highest outstanding loan balance of any loan from all plans held under the employer in the last 12 months. The minimum loan you may request from your Invesco accounts is \$1,000. Check with your employer regarding the availability of loans in your plan. Please refer to the 403(b)(7) Custodial Agreement for further details.

### Withdrawals Before Retirement

If you have not reached age 59½, the Internal Revenue Code prohibits withdrawals until you have severed employment with your current employer. However, if you become disabled, die, or experience a financial hardship, withdrawals will be permitted. Financial hardship withdrawals are permitted only

from salary reduction contributions, not from earnings or from employer contributions, and you will be required to suspend your salary reduction contributions with the current employer for a period of six months following the withdrawal. Check with your employer regarding the availability of financial hardship withdrawals in your plan.

### Withdrawal Options After Retirement

You will have the option of taking all or a portion of your account balance in a lump sum as you need it, or you can arrange periodic payments to suit your needs—or any combination of the two. When you reach age 70½ (or when you stop working for your employer, if later), you must take minimum distributions to satisfy IRS requirements.

### Taxes

**Distributions to You:** Distributions from your pre-tax 403(b)(7) account are taxed as ordinary income in the year you receive them. Distributions from your Roth 403(b)(7) account will be tax free if you have had the account for at least five years and are at least 59½ or disabled. If you have held the account less than five years, or have held the account for five years but have not attained age 59½, or are not disabled, ordinary income taxes will be due only on the earnings in that account. Distributions may also be subject to a 10% penalty tax if taken before age 59½, unless they are taken after death, disability or severance from employment in the same year as your 55th birthday or later.

**Distributions to Your Beneficiaries:** Distributions to your beneficiaries from your pre-tax account will be taxed as their ordinary income, while distributions from your Roth 403(b)(7) account will be tax free, provided you held the account open for at least five years. (If you die before the five-year period has elapsed, the earnings will be subject to ordinary income tax at each respective beneficiary's tax rate.) The 10% penalty tax will not apply due to distributions made after your death.

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# Forms and Applications

The following forms are available on [invesco.com/us](https://www.invesco.com/us), and include all the paperwork necessary to set up your Invesco 403(b)(7) Custodial Account.

## **403(b)(7) Participant Account Application**

This form serves as your account agreement with Invesco. You must complete it in order to establish an account. Also attached to this form is the **Invesco 403(b)(7) Custodial Account Agreement**. Please read this agreement in full. It defines the rules and conditions of your Invesco 403(b)(7) account.

## **403(b)(7) Contract Exchange/Transfer/Rollover Form**

Use this form to request a contract exchange or rollover of eligible assets into your Invesco 403(b)(7) Custodial Account. Assets rolled over into 403(b) plans from other plan types will not be tracked separately and will be subject to rules applicable to 403(b) plans.

## **403(b)(7) Salary Reduction Agreement**

To be used if your employer does not provide a Salary Reduction Agreement of its own. Use this form to elect what percentage of pay you wish to have withheld from your salary and remitted to Invesco. This form must be returned to your employer. Please do not forward to Invesco.

## **403(b)(7) Maximum Contribution Worksheet**

Use this form to determine the maximum amount you may contribute to your 403(b)(7) account each year.





Your Invesco 403(b)(7) account can help you save for retirement by offering:

- A flexible, long-term savings solution
- Versatile, employee-friendly features
- Comprehensive investment options and support

This brochure provides all the information and forms you need to enroll in an Invesco 403(b)(7). Talk to your financial advisor about how this program can fit into your financial plan.

Effective May 24, 2019 Invesco acquired OppenheimerFunds. Prior to that date, the Invesco 403(b)(7) program was known as the OppenheimerFunds 403(b)(7) program.

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***Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their advisors for a prospectus/summary prospectus or visit [invesco.com/fundprospectus](http://invesco.com/fundprospectus).***

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

Note: Not all products, materials or services available at all firms. Advisors, please contact your home office.

The information contained here is not tax advice. Please consult your tax advisor about your particular situation.

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