

MBA Retirement Savings Plan 2024 update



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The Mutual Benefit Association (MBA) offers several retirement savings plans (RSPs) for all city letter carriers who are members of the NALC and their families. These plans are the MBA RSP, the MBA Family RSP, the city carrier assistant (CCA) RSP and the MBA Immediate Annuity.

The MBA RSPs are retirement income plans designed to supplement your pension. You make small payments to your plan while you're working so that you can receive a lifetime of monthly payments after you retire.

The MBA RSPs are offered as traditional IRAs, Roth IRAs or non-

qualified annuities.

With a traditional IRA, the contributions you make each year may be deducted from your federal taxes. In addition, earnings accumulate tax-free until the time of withdrawal. Upon distribution at age 59½ or older, the earnings and principal (your contributions) are taxed as ordinary income. For 2024, the maximum annual contribution per individual under age 50 has increased to \$7,000. If you reach the age of 50 or older before the end of 2024, you may contribute an additional \$1,000 in catch-up contributions. Owners of a traditional IRA must take a required minimum distribution (RMD) beginning at age 73.

Contributions to a Roth IRA are not tax-deductible, but earnings accumulate tax-free. At the time of withdrawal, earnings are free from taxes if the owner has held the IRA for a minimum of five years and is at least 59½ years old. The contribution limits for a Roth IRA are the same as for the traditional. Owners of Roth IRAs, or their surviving spouse, do not have to take RMDs from it during their lifetime. Beginning in 2024, your beneficiaries no longer have to take RMDs from your account after they inherit it.

Similar to a Roth IRA, contributions to a non-qualified annuity are not tax-deductible. However, your earnings on that money are taxed when you withdraw it from the account, regardless of how long you have held the account. The principle has already been taxed and is not taxed again upon withdrawal. There is no contribution limit, as there is with a traditional or Roth IRA. A non-qualified annuity is not subject to RMDs.

Participation in a MBA RSP is easy. Once enrolled, you can simply make small contributions, as low as \$15 per pay period (\$25 per month, with an initial \$1,000 deposit for the Family RSP or a minimum premium payment of \$25,000 for the Immediate Annuity). The easiest way to pay for active city carriers is through automatic deductions from your paycheck. You can adjust how much you want to contribute, stop and start making payments, or pay in lump sums whenever you want. MBA will handle the automatic deductions, or bill you monthly or annually.

When a participating CCA becomes a career employee, they may transfer their traditional IRA funds to the Thrift Savings Plan (TSP), or continue the plan with the MBA to have an additional source of retirement income. The MBA will waive the surrender charge in this instance only. Due to IRS regulations, Roth funds from a personal IRA account cannot be transferred into the TSP.

The interest rates for all MBA IRAs are set by the trustees each December for the following year. For 2023, the interest rate was set at 2.80 percent for all new accounts and those issued on form 860 (2015 or newer). As of this writing, the rates for 2024 have not been set (check back here next month). The rate in effect at the time of purchase will remain in effect for 12 months, then rerate to the current year's percentage. From that point on, the interest rate will change every January based on the trustees' decision in December, but will never go below the guaranteed minimum interest rate of 2 percent. For the rates on older contracts, please see our website, nalc.org/mba, or call the office if you are not sure which contract you have.

If you need emergency cash, you can stay in an MBA RSP while withdrawing money any time after one year, subject to certain minimums and limitations. However, during the first six years you are in a plan, you will pay a surrender charge on the amount you withdraw in addition to any IRS penalties, if applicable. You also can surrender your plan for its cash value at any time, subject to the same surrender charges listed above.

In next month's article, I will discuss your payout options for when you decide to collect your annuity.

For more information regarding any of the MBA products, please call the MBA office toll-free at 800-424-5184, Tuesdays and Thursdays, 8 a.m. to 3:30 p.m., or call 202-638-4318, Monday through Friday, 8 a.m. to 3:30 p.m., all Eastern times. You also can visit our website at nalc.org/mba.

I'd like to take this time to wish everyone and their families a happy holiday season and a happy and healthy new year.