

457 PLAN ROTH CONTRIBUTIONS

Another way for you to save for a secure retirement

Roth contributions give you another tax-advantaged saving option, allowing you to benefit from tax-free withdrawals in retirement.

How It Works

1. A percentage of your pay, or a specified dollar amount, can be contributed to your 457 plan as a Roth contribution.
2. Roth contributions are made on an after-tax basis and will not reduce your income taxes for the year (unlike pre-tax contributions).
3. Roth contributions and associated earnings can be withdrawn tax-free if the requirements for a qualified distribution are met.

Contribution Limits

457 plan contribution limits apply to the combination of pre-tax and Roth contributions. You can continue making pre-tax contributions only or designate a portion (or all) of your contributions as Roth contributions.

Qualified “Tax-Free” Distributions

Distributions of Roth assets will be tax-free if:

- ▶ a period of five years has passed since January 1 of the year of your first Roth contribution, and
- ▶ you are at least 59½ years old (or disabled or deceased).

You are eligible for distributions upon separation from service with your employer. In-service withdrawal options, such as emergency withdrawals, may also be available.

Benefits

In addition to potentially tax-free withdrawals in retirement, Roth contributions allow for:

- ▶ **Higher contribution limits than Roth IRAs** — 457 plans allow for greater after-tax savings.
- ▶ **Eligibility at all income levels** — Unlike Roth IRAs, your ability to make Roth contributions to a 457 plan does not depend on your income.
- ▶ **Tax planning** — Having both pre-tax assets and Roth assets allows you to choose the source of funds most advantageous to your situation.

Additional Information

The chart on the next page compares Roth and other retirement plan contributions.

The Roth Analyzer (www.icmarc.org/rothanalyzer) can also help you compare Roth and pre-tax contributions, given your present and anticipated future financial situations. Making both types of contributions may make sense.

How to Get Started

Complete the *Contribution Change Form*, available at www.icmarc.org/457boost or by contacting ICMA-RC. Your employer may also permit contribution changes to be made by you online (www.icmarc.org/login).

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Plan Features Overview

	457 Plan	Roth IRA	
Feature	Pre-Tax	Roth	
CONTRIBUTIONS			
Maximum Contribution (2020)	<p>Normal Limit (above \$19,500) \$19,500</p> <p>Age 50 Catch-Up: \$6,500 (\$26,000 total)</p> <p>OR</p> <p>Pre-Retirement Catch-Up: \$19,500 (\$39,000 total)</p> <p>All contribution limits apply to the combination of pre-tax and Roth contributions to the plan. Catch-up provisions cannot be combined in the same plan year. For each of the three years prior to the year you reach your normal retirement age, as defined in the plan and based on extent to which maximum contributions not made in previous years.</p>	<p>◀ Same as 457 Plan Pre-Tax</p> <p>\$6,000</p> <p>Age 50 Catch-Up: \$1,000 (\$7,000 total)</p> <p>Pre-Retirement Catch-Up: N/A</p>	
Contributions Reduce Taxable Income	Yes	No	
Income Limits (2020)	None. Participation is not limited by your annual income.	◀ Same as 457 Plan Pre-Tax	Modified Adjusted Gross Income must be less than \$206,000 (married filing jointly) or \$139,000 (single or head of household)*
WITHDRAWALS			
Taxation of Withdrawals	Withdrawals are subject to federal and, in most cases, state income taxes.	<p>Withdrawals are tax-free if the requirements for a qualified distribution are met.</p> <p>Distributions of Roth assets are qualified if a period of five years has passed since January 1 of the year of your first Roth contribution (including rollovers), and you are at least 59½ years old (or disabled or deceased).</p>	◀ Same as 457 Plan Roth, except Roth IRAs also permit qualified distributions for a “first time” home purchase.
Withdrawal Eligibility	Upon separation from service with the plan sponsor. In-service withdrawal options (e.g., after age 70½, emergency withdrawals) may also be available.	◀ Same as 457 Plan Pre-Tax	Withdrawals can be taken at any time. Contributions are always withdrawn first tax and penalty-free.
Required Minimum Distributions (RMDs)	After age 70½ or separation from service, whichever is later.	◀ Same as 457 Plan Pre-Tax	None
10% Early Withdrawal Penalty Tax	457 plan contributions and associated earnings are not subject to the early withdrawal penalty tax. However, if you roll assets into your 457 plan from another type of account, the rolled-in assets are subject to the 10% early withdrawal penalty tax if withdrawn prior to age 59½, unless an exception to the penalty applies.	◀ Same as 457 Plan Pre-Tax	Yes, the penalty may apply to the earnings portion of the withdrawal unless certain criteria are met.

*For more information, view IRS Publication 590 or visit www.icmarc.org/ira.
ICMA-RC does not provide specific tax advice