



# GET TO KNOW YOUR 457 DEFERRED COMPENSATION PLAN



Your **457 DEFERRED COMPENSATION PLAN** is designed to supplement your retirement income. While a pension and/or Social Security will go a long way, they are unlikely to be enough. Saving to your 457 plan can help you maintain your desired standard of living.

## A Tax-Advantaged Retirement Plan

A **457 Plan** is a retirement savings plan and investment vehicle with tax advantages.

- ▶ Contributions are made to your account during your employment. You can generally change, stop, and restart contributions at any time.
- ▶ Your account's value is based on those contributions and subsequent investment returns.
- ▶ Earnings are not subject to tax until withdrawn.
- ▶ You have significant control over:
  - ▶ how the money in the account is invested;
  - ▶ how funds are withdrawn following your separation from service; and
  - ▶ who receives any remaining assets upon your death.

### Don't Delay — Start Saving Now.

The earlier you start saving, the less pressure you may face later to catch up. And starting early can give you a huge advantage due to compounding, in which your investments produce earnings from previous earnings.

## Contributions

**Pre-tax contributions** you make reduce your taxable income for the year. These contributions and all associated earnings are not subject to tax until you withdraw them, boosting the ability of your account to grow.

You also may be able to make after-tax **Roth contributions**. While they do not reduce your taxable income for the year, future withdrawals may be tax-free. Alternatively, you may contribute to a Roth IRA ([www.icmarc.org/ira](http://www.icmarc.org/ira)).

**Contribute what you can.** For 2016, you can contribute up to \$18,000, or \$24,000 if age 50 or over. (Participants nearing retirement may also be eligible to contribute additional amounts — up to \$36,000 total.) But even small savings add up over time. In fact, starting out small and then increasing how much you save by just a little each year may be all you need.



## Investment Control

A wide range of investment options are available to help you build a diversified portfolio. You control all investment decisions, choosing from among the available options. You decide:

- ▶ how contributions are invested; and
- ▶ how to manage your investments on an ongoing basis.

ICMA-RC can help you decide how much to save and how to invest through **Guided Pathways**<sup>®</sup> ([www.icmarc.org/guidedpathways](http://www.icmarc.org/guidedpathways)).

## Access to Your Money

When you leave your employer, you can withdraw assets, regardless of the reason and your years of service.

Under certain conditions, based on your employer's plan rules, withdrawals may also be allowed while you're still working.

You have the following flexible withdrawal options for vested assets:

- ▶ Your entire balance
- ▶ Periodic, partial withdrawals as you see fit
- ▶ Installment payments of a certain dollar amount and frequency, such as monthly or quarterly; scheduled withdrawals can be changed at any time.
- ▶ Lifetime income payments

**457 plans are unique.** Unlike other retirement accounts, you do not have to qualify for an exception to avoid the 10% IRS penalty tax on withdrawals of your contributions and associated earnings before age 59½. Just remember that your 457 plan is designed to help you meet your retirement goals. Any withdrawals prior to retirement may reduce your future retirement security.

After you reach age 70½ or separate from service, whichever is later, you will be required to withdraw at least a minimum amount from your account each year, per IRS rules.

If plan rules allow, you may also borrow against your vested assets through a loan, subject to IRS rules.

## Portability

After leaving your employer, vested assets can also be transferred — or rolled over — to another eligible retirement plan without being taxed.

## Survivor Benefits

You designate a beneficiary, or beneficiaries, to receive any remaining assets upon your death. If you don't designate beneficiaries, your estate is the default beneficiary, in which case:

- ▶ assets may not be distributed per your wishes;
- ▶ assets are subject to probate costs, potential delays, creditor claims; and
- ▶ non-spouse heirs may receive fewer tax benefits.

Beneficiaries control investment decisions, receive the most flexible withdrawal options allowed by law, and are not subject to any additional fees.

## Serving the Public Sector Since 1972

ICMA-RC is a non-profit independent financial services corporation focused on providing retirement plans and related services for more than 1.2 million public sector participant accounts and over 9,000 retirement plans. Our mission is to help build retirement security for public employees. We deliver on our mission by focusing on service, quality, and value.

To learn more, visit [www.icmarc.org/457](http://www.icmarc.org/457) and contact your ICMA-RC representative.

To manage your account online, log in to your account at [www.icmarc.org](http://www.icmarc.org).

For tips and tools to help you save, invest, and retire, visit [www.icmarc.org/realize](http://www.icmarc.org/realize).



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