



# 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 Roth contributions and associated earnings can be withdrawn tax-free if the requirements for a qualified distribution are met.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).

## How to Get Started

Complete the *Contribution Change Form*, available at [www.icmarc.org/457boost](http://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](http://www.icmarc.org/login)).

## 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](http://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.

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# Plan Features Overview

|  | 457 Plan   |  | Roth IRA  |
|--|--|--|---|
| Feature                                      | Pre-Tax  | Roth   | Roth  |
| <b>CONTRIBUTIONS</b>                         |  |  |   |
| <b>Maximum Contribution (2015)</b>           | \$18,000<br>Age 50 Catch-Up:<br>\$6,000 (\$24,000 total)<br>Pre-Retirement Catch-Up:<br>\$18,000 (\$36,000 total)<br>All contribution limits apply to the combination of pre-tax and Roth contributions to the plan.   | Same as 457 Plan Pre-Tax   | \$5,500<br>Age 50 Catch-Up:<br>\$1,000 (\$6,500 total)<br>Pre-Retirement Catch-Up: N/A  |
| <b>Contributions Reduce Taxable Income</b>   | Yes  | No   | No  |
| <b>Income Limits (2015)</b>                  | None. Participation is not limited by your annual income.  | Same as 457 Plan Pre-Tax   | Modified Adjusted Gross Income must be less than \$193,000 (married filing jointly) or \$131,000 (single or head of household)* |
| <b>WITHDRAWALS</b>                           |  |  |   |
| <b>Taxation of Withdrawals</b>               | Withdrawals are subject to federal and, in most cases, state income taxes.   | Withdrawals are tax-free if the requirements for a qualified distribution are met.<br><br>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). | Same as 457 Plan Roth, except Roth IRAs <b>also</b> permit qualified distributions for a “first time” home purchase.            |
| <b>Withdrawal Eligibility</b>                | Upon separation from service with the plan sponsor. In-service withdrawal options (e.g., emergency withdrawals after age 70½) may also be available.   | Same as 457 Plan Pre-Tax   | Withdrawals can be taken at any time.   |
| <b>Required Minimum Distributions (RMDs)</b> | After age 70½ or separation from service, whichever is later.  | Same as 457 Plan Pre-Tax   | None  |
| <b>10% Early Withdrawal Penalty Tax</b>      | 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](http://www.icmarc.org/ira).