



# 457 Plan Roth Deferrals

Another way for you to save for a secure retirement

Roth deferrals – or contributions – can benefit you as you save for retirement. The chart on the back of this flyer highlights some of the similarities and differences between Roth deferrals and other retirement plan contributions.

## Introducing Roth Deferrals

Roth deferrals give you another tax-advantaged option to use in saving for your retirement goals, 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 deferral.
2. Roth deferrals are made on an after-tax basis, so contributions will not reduce your income taxes for the year (unlike pre-tax contributions).
3. Roth deferrals and associated earnings can be withdrawn tax-free if the requirements for a qualified distribution are met.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 deferrals. You can continue making pre-tax contributions only or designate a portion (or all) of your contributions as Roth deferrals.

## 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

Making Roth contributions is easy! Simply complete the *457 Deferred Compensation Plan Amount of Deferral Change Form*, available online at [www.icmarc.org/forms](http://www.icmarc.org/forms) or by contacting ICMA-RC. Your employer may also permit deferral changes to be made by you through ICMA-RC's Account Access at [www.icmarc.org](http://www.icmarc.org).

## Benefits

In addition to potentially tax-free withdrawals in retirement, Roth contributions to your 457 plan have the following benefits:

- *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 is not restricted by income.
- *Tax planning* – Having both pre-tax assets and Roth assets available in retirement allows you to choose the source of funds most advantageous to your situation at the time of distribution.

## Additional Information

The Roth Analyzer ([www.icmarc.org/rothanalyzer](http://www.icmarc.org/rothanalyzer)) can help you determine whether Roth and/or pre-tax deferrals may be more advantageous, given your present and anticipated future financial situations.

You may also contact your ICMA-RC representative.

# Plan Features Overview

## 457 Plan

## Roth IRA

### Contributions

Feature	Pre-Tax	Roth	Roth
<b>Maximum Contribution (2012)</b>	\$17,000 Age 50 Catch-Up: \$5,500 (\$22,500 total) Pre-Retirement Catch-Up: \$17,000 (\$34,000 total) All contribution limits apply to the combination of pre-tax and Roth contributions to the plan.	Same as 457 Plan Pre-Tax	\$5,000 Age 50 Catch-Up: \$1,000 (\$6,000 total) Pre-Retirement Catch-Up: N/A
<b>Contributions Reduce Taxable Income</b>	Yes	No	No
<b>Income Limits (2012)</b>	None. Participation is not limited by your annual income.	None. Participation is not limited by your annual income.	Modified AGI must be less than \$183,000 (married filing jointly) or \$125,000 (single or head of household)*

### Withdrawals

<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. 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.
<b>Available for Loan</b>	Yes, if elected by the plan sponsor.	Generally not, but may be elected by the plan sponsor.	No

\* For more information, view IRS Publication 590 or visit [www.icmarc.org/ira](http://www.icmarc.org/ira).