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Facts about a 457(b) plan

Preparing for a comfortable retirement

A 457(b) similar to a 401(k)¹

A 457(b) is a retirement plan designed specifically for state and local government employees that can supplement your pension and help you enjoy a more comfortable retirement. If you work for a police or fire department (or are another type of civil servant), you may be eligible for a 457(b) retirement plan available through your employer. No matter where you are in life, it can be a smart choice that may give you a level of confidence along your path to a fulfilling future.

How a 457(b) plan can help

- **Every dollar counts.** You can set your own goals and start saving whatever amount works for you. You have the flexibility to start or stop and increase or decrease your contributions up to the federal maximum, at any time.
- **It's automatic.** Because your savings are deducted right from your paycheck, you pay yourself first. That can make it easier to save. You can contribute with pretax dollars and, if your plan permits, Roth after-tax dollars.

- **It's flexible.** You select the investments you're most comfortable with — and change them when you want.
- **Your money grows tax-deferred** until you withdraw it from your account, which is typically when you're retired and in a lower tax bracket. One way to grow your investments more quickly is by reducing the amount of tax you pay along the way. Since your contributions plus all of your earnings stay invested for the future, your money grows faster than if it were in a taxable account.

The boost from pretax contributions

A 457(b) plan lets you save more than you could in a regular savings account or other taxable investment. Here's how it works:

Let's say you can budget \$1,000 to save each month. If that \$1,000 is deducted from your paycheck pretax (and you're in the 24% tax bracket), you could actually increase the contribution to \$1,315.78. Your take-home pay would still only be reduced by \$1,000. There's no change to your budget, but there's an extra \$315.78 available for potential earnings in your 457(b).

¹ A 457(b) plan is a retirement plan available specifically to employees of public schools and certain 501(c)(3) tax-exempt organizations (i.e., nonprofit organizations). By comparison for context, a 401(k) plan is a qualified plan available specifically to employees of for-profit companies. While they have similarities, 457(b) plans are not interchangeable or entirely comparable.

And if \$1,000 per month is more than you can save right now, remember every dollar counts. Look at the difference that saving with pretax dollars means at any amount.

If you can budget:	The pretax equivalent would be:
\$100	\$131.57
\$250	\$328.94
\$500	\$657.89
\$750	\$986.84
\$1,000	\$1,315.78

The power of tax deferral

One of the other benefits of a 457(b) plan is that once your money is in there, it can continue to grow tax-free.

Let's think about your \$1,000 contribution again. If that \$1,000 went straight into your bank account — or into a taxable investment — you'd owe \$240 in taxes (again, assuming a 24% tax bracket), so only \$760 of your \$1,000 would be available for you to spend or save.

Instead, if you contribute to a 457(b) plan straight from your paycheck, the full \$1,000 — and any amount it earns — remains invested for the future.

Questions you may have

Can I roll over a 457(b) from my previous job?

Yes, you can roll over funds from other retirement plans, including 401(k), 401(a), 403(b), IRA or SEP into your 457(b) (and roll funds from your 457(b) into other retirement plans), if your employer's plan allows.

How much can I contribute?

The IRS sets limits on how much you can contribute each tax year. Your financial professional can provide specific details or you can refer to [irs.gov](https://www.irs.gov) for more information. The best approach is to start saving early in your career and increase the amount you contribute each year over time. The ultimate goal is to save as much as possible during your working years so you'll have a more comfortable retirement.

Once I start, do I have to keep contributing at the same rate?

No, you can stop or change contributions at any time, as long as your employer's plan allows.

When can I access my money?

You can withdraw money with no penalty at any age. You are eligible to make withdrawals at age 59½, upon severance of employment, or for an unexpected event causing hardship. You're required by regulation to take distributions starting at age 72 or the year you stop working, whichever comes later.

- Earlier if the need for the withdrawal is caused by death, disability or medical hardship that meets specific requirements.

Can I borrow from my account sooner?

You can borrow a percentage of your account value if your employer's plan allows. You must repay the loan within 5 years, or within 10 years if the loan was used to buy your primary residence.

Putting it all together

Look for flexible investment options

A 457(b) is a long-term investment strategy. As your goals change over time, your retirement plan should evolve as well. Look for a well-rounded mix of investment options that allows you to make choices that match your own goals, needs and tolerance for risk at every stage of life.

Take advantage of a guiding hand

A common trait among top savers is that they get help from a financial professional and educational resources to guide smart choices and keep their plan on track as life evolves. It can lead to higher account balances and more confidence in your future. So take advantage of the personal attention, digital tools and 24-hour account access your employer's plan offers.

Get smart about costs

Here are some questions you should ask — and your plan provider should have clear answers ready: What sales charges or administrative fees does the plan provider charge? Are they ever waived? When they report on performance of different investment options, are the numbers shown net of fees (or in other words, shown with the fees subtracted)?

Retirement is about making the most of what you have to achieve the freedom to pursue your passions. Consider how a 457(b) can help you feel empowered to make choices for a meaningful life as you define it, while finding fulfillment in your day to day.

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