

# Could a Roth 457(b) fit in your future?

Your employer's retirement plan could be one of your most valuable benefits.



**Looking to boost your retirement nest egg or reduce your taxable income during retirement? Contributions to a Roth account provided through your governmental employer's 457(b) plan may be an option to consider. A Roth 457(b) account permits you to:**

- Contribute after-tax dollars.
- Take tax-free distributions if the following conditions are met:
  - If withdrawn after the end of the five-year period beginning with the first year for which a Roth contribution was made to the plan; **and**
    - ~ You turn age 59½, or
    - ~ Your total disability or death
- Reduce taxable income during retirement and possibly help reduce taxation of Social Security benefits under current law.

## Roth 457(b) basic features

- You must be eligible to participate in your employer's 457(b) plan, and your Roth account contributions must satisfy all applicable requirements.
- Roth account balances are portable to other plans that offer a Roth account or a Roth IRA, if the receiving plan accepts such rollovers.
- Roth 457(b) accounts are subject to Required Minimum Distribution rules. Rolling a Roth account into a Roth IRA prior to age 72 (age 70½ if born before July 1, 1949) might avoid this requirement.

## Roth 457(b) contribution limits

Contributions count toward the annual dollar limit on elective contributions, which cannot exceed the IRC 457(e) limit of \$19,500 in 2021. Contributions are also:

- Included in all catch-up contribution limits (both age 50 catch-up and special catch-up, if applicable).

## Distributions and rollovers

Because Roth account contributions are treated as elective contributions, a distribution can be made at severance of employment, death or retirement. A distribution may be made for an unforeseeable emergency but only if permitted by the plan. However, tax-free treatment is only provided to qualified distributions. A qualified distribution is one that is made after:

The end of the five-year period beginning with the first year for which a Roth contribution was made to the plan (known as the five-year aging rule or five-year clock) and you reach age 59½, or become disabled or die.

Income taxes are payable on nonqualifying withdrawals from Roth account earnings. Federal restrictions may apply.

## Is a Roth 457(b) account right for you?

In determining if a Roth 457(b) account is right for you, we encourage you to carefully assess the advantages and disadvantages. A Roth 457(b) may appeal to those who:

- Cannot contribute to a Roth IRA due to income limits.
- Are young and in lower income tax brackets than they expect to be in retirement.
- Are financially stable, but expect tax rate increases are likely.
- Want tax diversity and flexibility in retirement.

## Could a Roth 457(b) fit in your future?

Treatment of Retirement Savings Vehicles			
	Traditional 457(b) Salary Deferral	Roth 457(b) Contribution	Roth IRA
Contribution taxable in year contributed	No	Yes	Yes
Contribution taxable in year distributed	Yes	No	No
Earnings on contributions taxable in year distributed	Yes	No, if distribution is made after age 59½, death or disability, and, for Roth IRA, for first home purchase (\$10,000 limit). All distributions must be after the end of the five-year period* beginning with the first year for which a Roth contribution was made to the plan.	
Eligible for rollover to non-Roth or traditional qualified plan, traditional IRA, 403(b), 401(k) or governmental 457(b)	Yes	No	No
Eligible for direct rollover to other Roth accounts or to Roth IRA	Yes	Yes	Yes, but only to Roth IRA
Contributions limited by IRC 457(e) salary deferral limits of \$19,500 in 2021, plus age 50 catch-up limit of \$6,500 for 2021 or special catch-up, where applicable	Yes (Roth and salary deferral combined for this limit)		No [Regular IRA limit applies and is not affected by Roth 457(b) contributions]
Contribution eligibility subject to Adjusted Gross Income Limits	No	No	Yes

\* The Roth 457(b) account and a Roth IRA have separate and distinct five-year aging periods (or clocks).

**If the Roth 457(b) account features could suit your financial situation, consider scheduling a meeting with your financial professional to discuss this opportunity.**

**We see the future in you.<sup>SM</sup>**

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**Guy Ferguson**

**208.608.6239**

**[guy.ferguson@aig.com](mailto:guy.ferguson@aig.com)**

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