

# You've got a plan!

Your guide to a Governmental 457(b) Deferred Compensation Plan



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Retirement may be near or many years into the future. Either way, planning for retirement income is important. That's why employers offer 457(b) deferred compensation plans as part of their benefits package.

A 457(b) plan for government employees is employer sponsored and allows individuals to contribute part of their salary toward their retirement savings — while deferring taxes on that income. In some cases, employers may also contribute to the plan, also on a tax-deferred basis.

A 457(b) Deferred Compensation Plan offers:	
<b>Simplicity and convenience</b>	Contributions are made directly from your paycheck — the amount is decided by you, subject to maximum Internal Revenue Service (IRS) limits.
<b>Pre-tax savings</b>	You may be able to reduce your current income taxes because contributions are deducted from your pay before taxes come out. Generally, this means that you can benefit by reducing your taxable income and your income tax withholding now so you can save more for retirement.
<b>Tax deferral</b>	Accounts have the potential to grow on a tax-deferred basis. Taxes won't be due on the savings until distributions are taken or withdrawn.*
<b>Funding choices</b>	Plans offer professionally managed funding options; you choose the ones that fit your personal investment objectives, including your tolerance for risk.
<b>The ability to take it with you</b>	If you leave your employer, you can transfer your account balance to another 457(b) plan if the new plan accepts such transfers; roll it over to an IRA, a 403(b) or another eligible retirement plan; or withdraw your account balance, which may be subject to an income tax penalty.* There may be other options available, and you should carefully consider all your options.
<b>An income when you retire</b>	When you are ready to retire, your employer's plan may allow you to select from several payout options. They may include taking a lump sum, receiving regular periodic payments based on the amount you saved, or receiving regular payments based on your life expectancy. Remember that whatever is chosen is generally subject to ordinary income taxation when the money is received.

\* In general there is no penalty tax for early (before age 59½) distributions. However, if individuals participate in a 457(b) plan of a state or local governmental employer and have rolled into the plan amounts from IRAs and non-IRA qualified retirement plans including 403(b) plans, distributions from the 457(b) plan attributable to such amounts rolled into the plan may be subject to a 10% federal penalty tax if they are under 59½ at the time of the withdrawal (e.g., certain distributions upon termination of employment or distributions upon unforeseeable emergency prior to severance from employment).

## Withdrawals

Remember, 457(b) accounts should be used to save for retirement. Generally speaking, plan rules do not allow distributions unless you no longer work for the employer maintaining the plan, retire, reach age 59½\* or have an emergency as defined by IRS regulations. If a plan provides for unforeseeable emergency withdrawals, the emergency may occur with the participant, the participant's beneficiary, the participant's spouse or dependents. Please check the plan guidelines for rules regarding withdrawals and loans. Keep in mind that limited access to an account can be beneficial, because it eliminates the temptation to use the money for purposes other than retirement. Also, if withdrawals are taken, ordinary income taxes will have to be paid and penalties may also have to be paid on the withdrawn funds.

In addition, certain distributions made to eligible retired or disabled public safety officers may be excluded from gross income on an elective basis if such distributions are paid directly to an insurer to cover premiums for health and long-term care insurance for the retired participant, the participant's spouse or certain dependents.

## Maximum annual contribution

The Internal Revenue Service (IRS) limits the amount you can contribute in salary reduction dollars each calendar year based on the type of plan you have. View current annual IRS contribution limits at [metlife.com/irslimits](https://www.metlife.com/irslimits).

## The retirement you have can be the retirement you save for

Many people think Social Security will be enough to see them through retirement. But Social Security was never intended to replace the income we earn during our working years — it has always been intended to supplement retirement income. Social Security provides the average retiree with only a portion of his or her income. Additional retirement income comes from other sources, such as those accumulated over the retiree's lifetime.\*\* Beyond Social Security, the income you receive during your retirement will be impacted by the actions you take now.

## Even small amounts add up

You don't have to save large amounts of money at a time. Over time, even small contributions can add up. The sooner you start saving for retirement — or increasing your savings — the better, even if that amount may seem relatively small.

Look at this chart of a hypothetical saver. Let's assume she earns \$35,000 a year, is paid bi-weekly and her savings earn a hypothetical 6% annual rate of return on her contributions. Over time, her savings add up — even with small contributions from each paycheck.

Years	1% contribution \$13.46 per paycheck	2% contribution \$26.92 per paycheck	3% contribution \$40.38 per paycheck
5	\$2,029.09	\$4,058.18	\$6,087.27
10	\$4,744.47	\$9,488.94	\$14,233.41
20	\$13,241.09	\$26,482.18	\$39,723.27
30	\$28,457.25	\$56,914.49	\$85,371.74

*Please note that federal tax laws limit individuals' contributions. The amount you may contribute annually may differ from that shown. The 6% rate is an assumed rate for illustrative purposes only and returns are not adjusted for inflation or taxes. No reference to any specific MetLife product is intended. Investment returns will vary and there is no guarantee that any individual who makes such contributions will reach these values.*

A tax advisor can help determine the amount that can be contributed each year.

\* The minimum age was reduced to 59½ for governmental 457(b) plan elective distributions prior to severance by Division M, Section 104(b) of the Further Consolidated Appropriations Act, 2020.

\*\* "Learn About Social Security Programs." <https://www.ssa.gov/planners/retire/r&m6.html>. Accessed March 28, 2024.

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Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.

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