The Roth 457 option

Is it right for you?

Your 457 plan accepts Roth 457 contributions, giving you the flexibility to designate all or a portion of your 457 elective deferrals as Roth contributions.

Roth 457 after-tax contributions and traditional before-tax 457 deferrals both have advantages. You should thoroughly review the following information and consider consulting a financial advisor prior to electing your contribution percentages.

How are Roth contributions different from traditional 457 contributions?

Roth contributions are made with after-tax dollars. Traditional 457 contributions are made on a before-tax basis, and you pay taxes only when you take a distribution.

Do I pay taxes when I take a distribution from my Roth 457 account?

Your distribution is income tax-free if you are eligible for a distribution from your plan, you withdraw your Roth contributions and any earnings after holding the account for at least five tax years, and:

- You are at least age 59½.
- You become disabled.
- You die (in which case, your beneficiaries will take a withdrawal).

If a distribution is made from your Roth 457 account before you reach age 59½ and is not due to death or disability, you will pay income taxes on any earnings that are distributed. Otherwise, there is no income tax due on the Roth contributions distributed from the plan since they are made with after-tax dollars.

How does the Roth 457 differ from a Roth IRA?

- **Contribution limits** — Roth IRA contributions are limited to $7,000 in 2024 (or $8,000 if you are age 50 or older) versus $23,000 for the Roth 457 (or $30,500 if you are age 50 or older). So, you can contribute more on an after-tax basis to your Roth 457 than to a Roth IRA.
- **Eligibility** — If you're single and earn $161,000 or more a year or are married with a joint income of $240,000 or more in 2024, you are not eligible to contribute to a Roth IRA in 2024. However, if you meet your plan's eligibility requirements, you can participate in the Roth 457 plan regardless of your income.

Can I roll over my account if I change employers?[1]

Should you leave your current employer, you have the option of rolling over your Roth 457 account to a Roth IRA or to a 457, 401(k), or 403(b) plan that has a designated Roth account and accepts Roth rollovers. You can roll over your traditional 457 account to any eligible traditional IRA, Roth IRA,[2] governmental 457 plan, 403(b), plan or qualified 401(k) plan that accepts rollovers. Consider all your options and their features and fees before moving money between accounts.

Can I convert my before-tax contributions to Roth after-tax?

If your plan allows it, you can convert your before-tax account to Roth as an in-plan rollover. You are responsible for paying income tax on the amount you roll over into an in-plan Roth 457. You will pay taxes on the converted amounts when you file your taxes for that year. These taxes cannot be paid from your 457 account. An IRS Form 1099-R will be mailed to you the following year to report the in-plan Roth rollover as taxable income. Be sure to talk with a tax professional before you request an in-plan Roth rollover; once your request has been processed, it cannot be reversed.

Making the best choice for you

You will have to determine whether contributing to your plan on an after-tax Roth basis or a traditional before-tax basis makes more sense for your situation. The Roth 457 option essentially locks in today's tax rates on all contributions.

For some people — especially those who expect to be in a higher tax bracket when they retire — the Roth 457 option may make the most sense. If you're one of those people, the Roth option allows you to pay taxes on your contributions when they are contributed (presumably at a lower tax rate than you would expect to pay at retirement). If you expect to be in a lower tax bracket when you retire, you might want to consider contributing to your 457 plan on a before-tax basis. You won't pay taxes on your contributions or any earnings on your contributions until you take a distribution, which is usually at retirement (when many people expect their earning power and tax burden to be lower than today).

At a glance	Before-tax 457	Roth after-tax 457
Is my contribution taxable in the year I make it?	No	Yes
Is my contribution taxed when distributed?	Yes	No
Are potential earnings on my contributions taxed when distributed?	Yes	No, provided the distribution occurs after you have reached age 59½ or upon disability or death and no earlier than five tax years after your first Roth 457 contribution
If I change jobs, can I roll over my account?[1]	Yes, to a qualified 401(k) plan, traditional IRA, Roth IRA,[2] 403(b) plan, or governmental 457(b) plan if the plan allows it	Yes, to a Roth IRA, governmental 457(b) plan, 401(k) plan, or 403(b) plan if the plan has a designated Roth account and accepts rollovers
What is the maximum amount I can contribute?	Combined limit for contributions in 2024 is $23,000 or $30,500, including the additional $7,500 age 50+ catch-up contribution; or up to $46,000 in 2024 if eligible for special 457 catch-up contributions. The age 50+ catch-up and special catch-up provisions may not be used in the same year.	
If I experience an unforeseeable emergency, can I make a withdrawal?	Yes, your plan allows unforeseeable emergency withdrawals	
Do I have to take a minimum distribution at age 73?	Once you reach age 73 (or age 70½ if you were born on or before June 30, 1949), you are generally required to begin taking minimum distributions from a before-tax 457. Refer to your plan provisions for more information.	Generally, effective for tax years after 12/31/23, a required minimum distribution will not be required for ROTH 457 Plans. Please contact your tax advisor for more information.

The bottom line: Participate

Regardless of which type of contributions you choose, the important thing is to contribute as much as you can today for your retirement tomorrow.

› For more information, visit **empowermyretirement.com** or call **800-701-8255**

1 Governmental 457 funds rolled into another type of plan or account may become subject to the 10% early withdrawal penalty if taken before age 59½.

2 Rollovers from a traditional (pretax) retirement plan to a Roth IRA are subject to the same rules governing converting a traditional IRA to a Roth IRA. As there may be significant tax implications associated with these types of conversions, you should consult your tax advisor before proceeding.