

The Roth 457 option

County Commissioners Association of Ohio 457 Deferred Compensation Plan



Making your dreams a reality.

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 each have advantages. You should thoroughly review the following information and consider consulting a financial advisor prior to electing your contribution percentages. The Roth option offering is determined by your county. Contact your local Retirement Plan Advisor to confirm availability.

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; or
- You become disabled; or
- 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 it is not due to death or disability, or reaching the five-tax-year holding period, 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.

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

Withdrawals of contributions and any earnings from your traditional 457 may be subject to income taxes.

How much can I contribute?

The maximum combined contribution limit in 2020 is \$19,500. If you are age 50 or older, you can make additional catch-up contributions of \$6,500. If you are in the three

years ending prior to the year you attain normal retirement age under the plan, you may be able to contribute up to \$39,000 in 2020 (called special catch-up contributions). The amount you are able to contribute is based on amounts you were eligible to contribute to the 457 plan in previous years but did not. The age 50+ catch-up and special catch-up provisions may not be used in the same calendar year.¹

How does the Roth 457 differ from a Roth IRA?

- **Contribution Limits** – Roth IRA contributions are limited to \$6,000 in 2020 (or \$7,000 if you are age 50 or older) versus \$19,500 for the Roth 457 (or \$26,000 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 more than \$139,000 a year or are married with a joint income of more than \$206,000 in 2020, you aren't eligible to contribute to a Roth IRA in 2020. 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?

Should you leave your current employer, you still 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, 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 leave my money in my Roth 457 indefinitely?

Once you reach age 72 (70½ if you reached 70½ before January 1, 2020), you are generally required to begin taking minimum distributions from either a Roth 457 or a before-tax 457; however, you might not be required to take a minimum distribution. Refer to your plan provisions for more information.

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. 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 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 retirement earning power and tax burden to be lower than it is 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? | Yes, to a qualified 401(k) plan, traditional IRA, Roth IRA, 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 2020: \$19,500 or \$26,000, including the additional \$6,500 age 50+ catch-up contribution; or up to \$39,000 in 2020 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. ¹ | |
| If I experience an unforeseeable emergency, can I make a withdrawal? | Yes, if your plan allows unforeseeable emergency withdrawals. | |
| Do I have to take a minimum distribution at the required age? | Once you reach age 72 (70½ if you reached 70½ before January 1, 2020), you are generally required to begin taking minimum distributions from either a Roth 457 or a before-tax 457; however, you might not be required to take a minimum distribution. Refer to your plan provisions 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. If after you've done your research and consulted the experts you decide that Roth 457 contributions are right for you, you can make the appropriate changes to your account by completing the Paycheck Contribution Election form.

**For more information about Roth 457 or for the form,
please contact your Retirement Plan Advisor at
800-284-0444 or visit www.ccao457.com.**

¹ Age 50+ catch-up may not be available for certain 457 plans. Additionally, certain 457 plans may not allow special catch-up contributions.

Securities offered and/or distributed by GWFS Equities, Inc., Member FINRA/SIPC. GWFS is an affiliate of Empower Retirement, LLC; Great-West Funds, Inc.; and registered investment adviser, Advised Assets Group, LLC. This material is for informational purposes only and is not intended to provide investment, legal or tax recommendations or advice.