

MATCH A ROTH IRA WITH YOUR 457 PLAN

A Roth IRA and 457 deferred compensation plan can help you save with tax benefits and flexibility.

- ▶ **For different savings goals** – additional retirement income, health care, a home purchase, college education, emergencies.
- ▶ **For different tax benefits** – you can get a tax benefit now when you save to your 457 plan and a tax benefit later when you withdraw from your Roth IRA. If you retire early, you can withdraw from your 457 plan without penalties.

Roth IRA

Tax-free withdrawals – distributions, including earnings, are tax and penalty-free if you have:

- ▶ owned a Roth IRA for at least five years, as defined by the IRS; and
- ▶ a qualifying event, such as age 59½, a “first-time” home purchase, disability or death.
- ▶ Otherwise, income and penalty taxes may apply to the withdrawal of earnings. But contributions can be withdrawn at any time without taxes or penalties.

And IRS required minimum distributions do not apply, so loved ones can receive money you don’t need tax free.

▶ **2020 tax year contributions¹** — up to \$6,000, or \$7,000 if age 50 or over as of year-end, if your IRS Modified Adjusted Gross Income is less than:

- ▶ \$124,000 for Individual filers (\$124,000-\$139,000 to make partial contributions)
- ▶ \$196,000 for Married joint filers (\$196,000-\$206,000 to make partial contributions)

457 Deferred Compensation Plan

Pre-tax contributions lower current year taxes and all taxes are deferred until you withdraw.

Penalty-free withdrawals – distributions upon separation from service are not subject to the 10% IRS penalty tax, regardless of your age.²

▶ **2020 tax year contributions** — up to

- ▶ \$19,500 normal limit
- ▶ \$26,000 if age 50 or over as of year end
- ▶ \$39,000 if you qualify for pre-retirement catch-up contributions.

¹ 2019 tax year contributions may also be made up until the tax-filing deadline of Apr. 15, 2020. Income eligibility rules differ slightly. Visit www.icmarc.org/ira for more information.

² A 10% penalty tax never applies to withdrawals of original 457 plan contributions and associated earnings but may apply to non-457 plan assets rolled into a 457 plan and then withdrawn prior to age 59½.

ICMA-RC does not provide specific tax advice.

Learn More

- ▶ IRA — www.icmarc.org/ira
- ▶ 457 plan — www.icmarc.org/457
- ▶ Contact your ICMA-RC representative