

WHAT'S THE DIFFERENCE?

457 Deferred Compensation vs. 401 Money Purchase Plans

	457 Deferred Compensation Plans	401(a) Money Purchase Plans
ELIGIBILITY		
Employee Eligibility	Any employee; and any independent contractor who has been designated by the employer as eligible.	Eligible employee groups are specified by the employer in the plan's adoption agreement.
CONTRIBUTIONS		
Contribution Limits	Please visit www.icmarc.org/contributionlimits to view current year annual maximum contribution amounts.	
Employer Contributions	Voluntary, typically funded solely by employee contributions.	Your employer may contribute to the plan and may require that you contribute also.
FICA Taxes	Employer and employee contributions are subject to FICA taxes.	Employer contributions are not subject to FICA taxes.
Tax Treatment	<p>Pre-tax contributions reduce participants' taxable income for the year.</p> <p>Roth contributions may be allowed by the employer and are made on an after-tax basis, reported as income.</p>	<p>Contributions "picked-up" by the employer are made pre-tax and reduce participants' taxable income for the year. Employers elect whether or not:</p> <ul style="list-style-type: none"> ▶ employee contributions are mandatory; or ▶ employees may make a one-time irrevocable decision to contribute a certain percentage. <p>Voluntary after-tax contributions may be allowed by the employer and are reported as income.</p>
Employee Contribution Flexibility	You can change your contribution amount at any time, as your circumstances change. You may even stop contributing if needed.	Elections relating to contributions that are picked-up (i.e., contributed pre-tax) are irrevocable and cannot be changed.
WITHDRAWALS		
Withdrawal Eligibility	<p>Allowed upon separation from service, without restriction.</p> <p>The following in-service withdrawals may apply:</p> <ul style="list-style-type: none"> ▶ Emergency ▶ After age 70½ ▶ Rollover assets (if elected by the employer) ▶ Small account balance, if participant's balance is under \$5,000 and no contributions have been made for a period of two years. 	<p>Upon separation from service. Employer may require a lifetime annuity for married participants.</p> <p>The following in-service withdrawals may apply:</p> <ul style="list-style-type: none"> ▶ After age 70½ ▶ Voluntary after-tax contributions (if elected by the employer) ▶ Rollover assets (if elected by the employer) ▶ After attainment of the plan's Normal Retirement Age (if elected by the employer)
Taxation of Withdrawals	<p>Withdrawals of pre-tax amounts are subject to federal and, in most cases, state income taxes. After-tax and Roth contribution amounts are withdrawn tax-free. Earnings associated with Roth contributions are also withdrawn tax-free if:</p> <ol style="list-style-type: none"> 1) five years have passed since January 1 of the year of your first Roth contribution, and 2) you are at least 59½ years old (or disabled or deceased) 	

457 Deferred Compensation Plans (Continued)

401(a) Money Purchase Plans (Continued)

WITHDRAWALS

10% Early Withdrawal Penalty Tax*

457 plan contributions and associated earnings are not subject to an early withdrawal penalty tax. However, the penalty may apply to non-457 plan assets rolled into a 457 plan and subsequently withdrawn prior to age 59½.

Withdrawals prior to age 59½ are subject to a 10% early withdrawal penalty tax, unless an exception applies.

Required Minimum Distributions (RMDs)

Applies after age 72 or separation from service, *whichever is later*.

Loans

If permitted by your employer, you may be eligible to take loans from your account.

ROLLOVERS

Roll-ins/Roll-outs

You may roll in assets from plans such as 401, 457, 403(b) and Traditional IRAs. After you leave employment, you may request a rollover to those plan types and/or a Roth IRA. Typically, you may also leave the money in your account until after you reach age 70½, when you must begin taking annual withdrawals. *Note: Roth assets in a 457 plan may only be rolled to a Roth IRA or a retirement plan with a Roth deferral feature (e.g., 457/401(k) plan).*

Purchase of Service Credits

Permitted, other than Roth assets

Permitted, other than Roth assets

*See ICMA-RC's *Special Tax Notice Regarding Plan Payments* or the *IRS Instructions for Form 5329* for more information about the IRS 10% early withdrawal penalty tax.

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