Your guide to a governmental 457(b) deferred compensation plan

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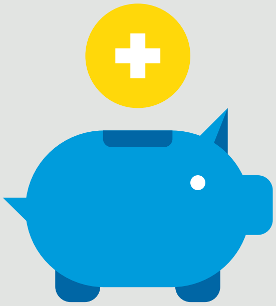
Navigating life together



Making informed decisions today — and acting on them — may make all the difference in the future. With your employer's 457(b), you've got a plan. Retirement may be near, or many years into the future. Either way, planning your retirement income is important. That's why employers offer 457(b) deferred compensation plans as part of their benefits package.

A quick look at a 457(b) deferred compensation plan

A 457(b) plan for government employees is employer sponsored and allows you to contribute part of your salary toward your 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 you:

Simplicity and convenience

Contributions are made directly from your paycheck — the amount is decided by you, subject to maximum Internal Revenue Service (IRS) limits.

Pre-tax savings

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.

Tax deferral

Accounts have the potential to grow on a tax-deferred basis. That means that taxes won't be due on savings until a distribution is taken or a sum is withdrawn from the account.*

Funding choices

Plans offer professionally managed funding options; you choose the ones that fit your personal circumstances, including age and tolerance for risk.

The ability to take it with you

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.

You may decide to withdraw your account balance, which may be subject to an income tax penalty. A tax advisor can provide details of these options.*

An income when you retire

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. Whatever you choose, remember that they are subject to ordinary income taxation when you receive the money in retirement.

* In general there is no penalty tax for early (before age 59½) distributions. However, if you 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 you 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, a 457(b) account is for retirement savings. That's why, generally speaking, plan rules do not allow distributions unless a person no longer works for the employer maintaining the plan, retires, reaches age 59½* or has an unforeseeable emergency as defined by IRS regulations. If a plan provides for unforeseeable emergency withdrawals, the emergency that causes the need for withdrawal may occur with respect to the participant, the participant's beneficiary, his or her spouse or dependents. Please check plan guidelines to see 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 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, his or her spouse or certain dependents.

* 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.

Maximum annual contribution

Generally, the maximum amount you may contribute to a 457(b) plan in 2021 is $19,500. You may also be eligible for **"catch-up"** contributions. Here's how it works:

In each of the last three calendar years before the year you reach the plan's normal retirement age, you may qualify to use a catch-up provision that's calculated based on contributions you made to the plan in previous years.

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

If you are age 50 or older and participate in a 457(b) plan maintained by a government employer, you may qualify to contribute additional amounts to the plan up to a specified amount that is subject to change each year, based on inflation. You may not make both types of catch-up contributions in the same year. Here are the general limits of the combined amounts of regular and catch-up contributions under either of these alternatives:

Catch-Up Contribution Limits*

Year	2021	2020
Governmental/Employer Plan Maximum Dollar Limit If 50 or Older	$26,000	$26,000
Maximum Dollar Limit If One of Last Three Years Before Year of Plan's Normal Retirement Age	$39,000	$39,000

* The amounts shown represent the maximum dollar limit permitted under both catch-up contribution alternatives. Consult a tax advisor to calculate the actual limit in the last three years before normal retirement age is reached. The increased limit in these years is available only to the extent individuals have unused portions of the limitations for previous years in the plan.

You can live the retirement you saved for

Many people think that 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. Consider that Social Security provides the average retiree with about 40% of his or her income; the rest comes from other sources — those accumulated over the retiree's lifetime.[1] Beyond Social Security, the retirement income individuals receive will be up to the actions they take now.

1. Learn About Social Security Programs. https://www.ssa.gov/planners/retire/r&m6.html. Accessed March 4, 2020.

Most experts agree you should plan for up to 70% of pre-retirement income to maintain standard of living.[1]

An employer's Governmental 457(b) Deferred Compensation Plan can be an excellent way to save for retirement. But the thought of saving enough money to last through retirement may seem overwhelming, especially with so many other priorities needing attention. Preparing for ten, twenty, thirty or even more years into the future may not even be on your radar.

The truth is, saving for retirement — no matter how near or far away — may be critical and future financial security depends on actions taken today.

Even small amounts add up

Over time, even small contributions can add up. The sooner a person starts saving for retirement — or increasing the amount they put toward retirement from each paycheck — the better, even if that amount may seem relatively small.

Take a look at this chart of a hypothetical saver. Let's assume that she earns $50,000 a year, is paid bi-weekly and that her savings earn a hypothetical 8% annual rate of return on her contributions to her employer's retirement savings plan. As you can see, her savings begin to add up over time. Even with relatively small contributions from each paycheck.

Years	5	10	20	30
1% contribution $19.23 per paycheck	$2,163	$5,313	$16,743	$41,417
2% contribution $38.46 per paycheck	$4,326	$10,626	$33,485	$82,835
3% contribution $57.69 per paycheck	$6,490	$15,940	$50,228	$124,252

Please note that federal tax laws limit contributions. The amount you may contribute annually may differ from that shown. The 8% 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.

When you get a pay raise, you can increase the contribution you make to your employer's retirement savings plan — before it appears in your paycheck. It's a way to increase contributions without directly "feeling" it.

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