

Top 10 Reasons You Should Offer A 457(b) Governmental Plan



Uncomplicate Retirement®

1. Design your own plan

457 plans can cover more than just employees. Help attract other quality individuals, such as outside contractors by including them in the plan.

2. Hassle-free administration

457(b) Governmental plans are easy to administer because there are no discrimination tests. A plan administrator's main responsibilities are to make sure that plan contribution limits are not exceeded, and to review and approve requests for distribution.

3. Improve your benefit offerings

Employees can transfer their 457(b) Governmental plan funds tax-free for permissive service credit under a state retirement system.

4. Attract & retain quality individuals

In today's world, employees are concerned about retirement. When can I retire and will I be able to afford to? By offering a 457(b) Governmental plan you can help your employees save for retirement.

5. No early withdrawal penalty tax

After severance from employment, employees can withdraw eligible 457(b) Governmental plan funds without paying a 10% early withdrawal penalty tax.¹

6. Reduce taxes

Annual plan contribution limits are \$19,500.² Participating in a 457(b) Governmental plan allows employees to contribute more each year while reducing the compensation that is subject to income taxes.

7. Savings potential for as little as \$50

Participants can begin saving for retirement with as little as \$50 per month, deferred on a pre-tax basis.

8. Portability

Attract employees with the portability of a 457(b) Governmental plan. New employees can roll over eligible funds from another 457(b) Governmental plan, a 401(a), 401(k) or 403(b) plan or a taxable distribution from a traditional SEP IRA into a 457(b) Governmental plan.

9. Play "catch-up" with contributions

Employees who are at least 50 years old and have already contributed the maximum amount can contribute an additional catch-up contribution of \$6,500 pre-tax.³

10. Special savings close to retirement

Employees can take advantage of the "three-year" rule and increase their contribution amount during the three years prior to the normal retirement age (as defined by the plan document).³ This amount cannot exceed the lesser of:

- Two times the limit for the current year; or
- The current limit plus that portion of the normal limit not used in prior years.

Employers must adopt a plan document in order to offer a 457(b) Governmental plan. For more information, contact the Direct Connect team at 800-438-3398, ext. 17197.

¹Unless attributable to rollover from another type of retirement plan.

²Figures reflect 2020 contribution limits. Additional amounts may be contributed under the "catch-up" rules that apply to the plans.

³Employees may choose the "three-year" option OR the Catch-up option (both are not permitted in the same year).

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