GREAT AMERICAN INSURANCE GROUP

Uncomplicate Retirement®

Offering A 457(b) Governmental Plan

Developing your future

As an organizational leader, you know the importance of strategic planning. You may spend months working on a plan for your organization. Have you spent the same time planning for your own future? Do your employees have the opportunity to plan for theirs?

A 457(b) Governmental plan from the member companies of Great American Insurance Group® (Annuity Investors Life Insurance Company® and Great American Life Insurance Company®) can make all the difference as you look toward your organization's future.

What is a 457(b) Governmental plan?

It's a great benefit to both your employees and you! A 457(b) Governmental plan is a tax-deferred plan that can be set up for any state, political subdivision of a state and its agencies or instrumentalities, including public schools and public universities and colleges. Generally, the plan may allow any employee or independent contractor to participate as a way to invest for retirement.

A 457(b) Governmental plan benefits more than just your employees…

It benefits your organization.

- Help reward and retain loyal employees while attracting new, well-qualified ones.
- Maintain a positive work environment and enhance your reputation as a progressive, caring organization, with little cost to you.
- It's easy to administer–no filing, testing or complex reporting requirements.
- It benefits you in your goal to prepare for your own retirement.
- You will have a high-quality plan to build a supplementary retirement income while saving on taxes today.
- You have the ability to choose from a wide variety of investment options to fit your goals.

How does a 457(b) Governmental plan work?

Contributions

You and your employees can contribute money on a pre-tax basis. This means you can afford to contribute more than if you put money aside after taxes were deducted. And, unlike a taxable investment, earnings on the account compound tax free until the money is withdrawn. Then both contributions and earnings will be treated as taxable income.

A pre-tax contribution of up to $19,500 may be made in 2020. For those 50 and older, a catch-up contribution of $6,000 may be made. These limits may increase in future years. Also note that the annual limit may be as much as double the normal limit if a plan participant is within three years of normal retirement date as specified in the plan document.[1]

If you work for a public school or university, you may also be able to contribute to a 403(b) TSA plan. For example, in 2020, the maximum contribution to a 403(b) TSA plan is normally $19,500. That can be combined with the 457(b) Governmental plan normal contribution limit of $19,500 for a total of $39,000 invested tax deferred. Catch-up contributions can increase this combined limit even more.

Employer match

You may choose to have a plan available for just your employees to easily contribute money for their retirement. Or, you can go a step further and offer additional contributions where you match all or a part of employee contributions. The plan does not require an employer match, but it's a great way to encourage participation and is a powerful tool in attracting and retaining employees. If you choose to make matching contributions, the 457(b) plan contribution limits apply to the sum of the employer and employee contributions.

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Roth option

You may choose to offer a Roth 457(b) option. Under a Roth option, employee contributions are made on an after tax basis. However, a distribution from a Roth 457(b) account is completely free of federal income tax if it meets both of the following requirements:

- It is made after the end of the five-year period that begins with the year that the employee made his or her first Roth 457(b) contribution to your plan; and
- It is made after the employee reaches age 59½, becomes disabled or dies.

Access to account balances

You can select a time period for employees to become fully vested in the employer-matching portion of the 457(b) Governmental plan. Typically, employee contributions are always 100% vested.

Distributions can be made only when participants sever employment, reach age 59½, become permanently disabled or suffer an unforeseeable emergency. Unless the distributions are rolled over to an eligible retirement plan, they will be taxed as ordinary income. However, unlike many other retirement plans, there is no IRS 10% penalty tax if a distribution is received before age 59½.

[1]Note that the age 50 or older catch-up cannot be used under a 457(b) plan if the final three-year catch-up is being used in that year. The final three-year catch-up is only available to the extent that 457(b) contributions in prior years that the employee was eligible to participate were below the applicable maximums by at least an equal amount.

Variable annuities are issued by Annuity Investors Life Insurance Company®. You should consider the contract's and underlying portfolio's investment objectives, risks, charges and expenses carefully before investing. Call 800-789-6771 to obtain a free prospectus containing this and other information to read carefully before investing.

Note that qualified plans provide tax deferral and that using an annuity to fund a qualified plan provides no additional tax deferral. While a variable annuity has additional charges, it offers additional benefits. These benefits include a lifetime income and a guaranteed death benefit.

This information is not intended or written to be used as legal or tax advice. It was written solely to support the sale of annuity products. As a taxpayer, you cannot use it for the purpose of avoiding penalties that may be imposed under the tax laws. You should seek advice on legal or tax questions based on your particular circumstances from an independent attorney or tax advisor.

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