IRA & 457(b) PLAN COMPARISON

MO Deferred Comp 457(b) Plan

How It Works	• A 457(b) plan like MO Deferred Comp offers tax benefits and simplifies your investment choices by allowing you as a plan participant to invest in certain funds at a negotiated price. You simply specify the amount you want automatically deducted from each paycheck. As a participant, you'll pay an administrative fee of $1.75 per month, plus an additional 0.08% of assets. • You have the ability to roll eligible outside retirement savings accounts into the plan. • You're not locked in for life — once you are separated from service, you have the option to roll money into an IRA, 401(k), 403(b), 457(b), or another qualified plan.
Tax Benefits	You can choose to pay taxes on your retirement contributions now, when you retire, or you can opt for a combination of both: • **Pretax contributions** are taxed when you withdraw your money. Every pretax dollar you contribute lowers your taxable income. • **Roth contributions** are taxed now instead of when you withdraw your money. They don't provide an up-front tax benefit, but you can make tax-free withdrawals later.
Contributing	• Contributions are flexible — you can save as little as 1% of pay per month — plus you can stop, pause, and restart your contributions at any time. • In a 457(b) plan like MO Deferred Comp, you can contribute a significant amount of your paycheck each year. The annual limit for the 2025 tax year is $23,500. You can contribute an additional $7,500, for a total of $31,000, if you're age 50 and over. New federal tax law (SECURE 2.0) allows employees age 60 to 63 to contribute an additional $11,250 a year in lieu of the age 50 and over catch-up provision. Also, for the three years prior to the year you reach normal retirement age, you can save double the annual limit for a total of $47,000. • You have the opportunity to contribute to deferred comp and receive the state match up until you retire. If you contribute at least $25 a month to your deferred comp account, the state of Missouri will match your contributions dollar for dollar up to a maximum of $75 each month.[1]
Withdrawals	• You can withdraw your 457(b) contributory source funds **penalty-free** after you leave the state. • The IRS requires you to begin taking **required minimum distributions (RMDs)** from your tax-deferred accounts no later than April 1 following the year you turn 73 unless you're still working for the state. If you're still working for the state, you can delay RMDs until the year you retire. Roth assets are excluded.
Investment Options	MO Deferred Comp provides a diversified,[2] low-cost fund lineup that can simplify the decision-making process for the majority of employees: • MO Deferred Comp has 13 **target date funds**, each containing a mix of stocks, bonds, and other investments. The funds automatically rebalance from higher levels of risk to more conservative as you move to — and through — retirement. • The **Missouri Stable Income Fund**[3] is designed to protect your principal and earn higher returns than money market funds and bank savings accounts. • The plan also offers a **Self-Directed Brokerage Account**[4], providing access to thousands of additional mutual funds and individual stocks and bonds.

LEARN ABOUT IRAS ON REVERSE SIDE ▶

For more information on the State of Missouri Deferred Compensation Plan, visit www.modeferredcomp.org or call 800-392-0925.

Individual Retirement Account (IRA)

How It Works	• You can choose to participate in a traditional or a Roth IRA. There are many types of IRAs available, and the specifics of how they work, advantages and disadvantages, tax benefits, and other details vary depending on which institution provides the account. Carefully research any IRA and meet with a deferred comp financial education professional or another trusted financial advisor before you make a decision. • This option doesn't lock you in for life either — you can roll into or out of a 401(k), 403(b), 457(b), or other qualified plan.
Tax Benefits	• If you contribute to a Traditional IRA, your annual contribution may be deductible depending on your (or your spouse's) participation in an employer-sponsored retirement plan and your adjusted gross income as defined by IRS rules. • If you contribute to a Roth IRA, you can make tax-free withdrawals if you've owned a Roth IRA for at least five years (as defined by the IRS) and meet the requirements for a "qualifying event": age 59½, a "first-time" home purchase, a disability, or death (with withdrawals going to your beneficiaries). Otherwise, you may have to pay income taxes and penalties to withdraw your earnings.
Contributing	• The annual contribution limits for IRAs are much lower than limits for 457(b) plans. For example, the annual contribution limit for both traditional and Roth IRAs for the 2025 tax year is $7,000; if you're married, you can also contribute the maximum allowable amount to your spouse's IRA. • Employees older than 50 who chose a traditional IRA can contribute an additional $1,000 in 2025. • There is no age 60-63 catch-up provision or pre-retirement catch-up provision in an IRA.
Withdrawals	• Roth IRA contributions can be withdrawn at any time without taxes or penalties. If you have a traditional IRA, you may not be able to withdraw your money before age 59½ without paying a penalty. There can be many exceptions to the IRS rules, so carefully research all of your options. • Traditional IRA participants ages 73 and older must take an annual RMD. RMDs don't apply to Roth IRAs or Designated Roth accounts while the owner is alive. However, RMD rules do apply to the beneficiaries of Roth IRA and Designated Roth accounts.
Investment Options	Generally speaking, IRAs can offer a variety of investment options; these differ depending on which IRA and provider you choose. Some of the fees might differ from those associated with a 457(b) plan, but this also depends on the IRA and provider you choose.

[1] The match is subject to annual approval of the state's budget. College and university employees are not eligible to receive the match. [2] Diversification does not protect an investor from market risks and does not ensure a profit. The investor must consider the risk associated with all mutual funds used to diversify assets. [3] The Missouri Stable Income Fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. [4] Charles Schwab & Co. Inc. and Voya Financial are not affiliated and are not responsible for the products and services provided by the other. Schwab Personal Choice Retirement Account TM (PCRA) is offered through Charles Schwab & Co, Inc. (Member SIPC), the registered broker/dealer, which also provides other brokerage and custody services to its customers.