

ROTH 457 SAVINGS

An in-depth look at the Roth savings options



	Pre-Tax 457 You make contributions BEFORE you pay taxes, but your future withdrawals are then subject to taxes.	Roth 457 You make contributions AFTER you pay taxes, but future withdrawals, including all earnings, may be tax-free.	Roth IRA
Maximum Contribution	Visit www.modeferredcomp.org to determine this year's annual IRS limits. All contribution limits apply to the combination of pre-tax and Roth contributions to the plan.	Same as Pre-Tax 457 Higher contribution limits than Roth IRAs — 457 plans allow for greater after-tax savings.	Visit the IRS website to determine this year's annual IRS limits. Pre-Retirement Catch-Up: N/A
Contributions Reduce Taxable Income	Yes	No	No
Income Limits	None. Participation is not limited by your annual income.	None. Participation is not limited by your annual income.	Visit www.irs.gov to determine this year's annual income limits.
Taxation of Withdrawals	Withdrawals are subject to federal and, in most cases, state income taxes.	Roth 457 withdrawals are tax-free if you are retired or separated from service, a period of five years has passed since January 1 of the year of your first Roth contribution (including rollovers), and you are at least 59½ years old (or disabled or deceased).	Same as Roth 457, except Roth IRAs also permit qualified distributions for a "first time" home purchase.
Withdrawal Eligibility	Upon separation from service with the plan sponsor.	Same as Pre-Tax 457	Withdrawals can be taken at any time.
Required Minimum Distributions (RMDs)	After age 73 ¹ or separation from service, whichever is later.	None ²	None
10% Early Withdrawal Penalty Tax	457 plan contributions and associated earnings are not subject to the early withdrawal penalty tax. ³	Same as Pre-Tax 457	Yes, the penalty may apply to the earnings portion of the withdrawal unless certain criteria are met.
Eligible Rollovers	Ability to roll pre-tax employer-sponsored plan assets to your 457 plan. You may also request an in-plan Roth conversion to convert pre-tax assets to Roth assets. Converted amounts are subject to taxes.	Roth assets can be rolled to and from other retirement plans that allow Roth deferrals, and provide the required recordkeeping for Roth assets.	Pre-tax and Roth assets can be rolled directly to a Roth IRA. Pre-tax assets will be taxed at ordinary income tax rates. You cannot roll a Roth IRA to a 457 plan.
Purchasing of Service Credit	Can be used to purchase service with MOSERS and MPERS.	Cannot be used to purchase service with MOSERS and MPERS.	Cannot be used to purchase service with MOSERS and MPERS.

¹ 70½ (if you were born before July 1, 1949), age 72 (if you were born after June 30, 1949, and before January 1, 1951), or age 73 (if you were born after December 31, 1950). ² Beginning with RMDs due in 2024, Roth balances will be excluded from the RMD calculation. Roth was required to be part of the RMD calculation for RMDs due prior to January 1, 2024. ³ If you roll assets into your 457 plan from another type of account, the rolled-in assets are subject to the 10% early withdrawal penalty tax if withdrawn prior to age 59½, unless an exception to the penalty applies.

Frequently Asked (Roth 457) Questions

What is the difference between the pretax and Roth in a 457 account?

Pretax 457 contributions are made **before** taxes are deducted from your paycheck. Your savings in the pretax 457 account, and any investment earnings on those assets, will grow tax-free until funds are withdrawn. Roth contributions are made **after** taxes are deducted from your paycheck. Any savings in this account can be withdrawn tax-free if the requirements for a qualified distribution are met.

Why should I consider making contributions to a Roth 457 account?

In addition to the tax-free distributions, potential benefits include:

- Tax planning — Having both pretax and Roth assets available in retirement can be a valuable benefit, allowing you to choose the source of funds most advantageous to your situation at the time of distribution.
- Higher contribution limits than Roth IRAs.
- Unlike Roth IRAs, you can make Roth contributions regardless of your income.

How do I determine if pretax or Roth is right for me?

You should consider your current and future income tax brackets. Roth contributions may be most appropriate if you are expecting to be in a higher tax bracket in retirement, allowing you to pay taxes on the contributions now, at a lower tax rate, and receive tax-free distributions later. Everyone's situation is different, but you may find that a combination of pretax and Roth contributions makes the most sense.

Use MO Deferred Comp's Roth calculators at www.modeferredcomp.org/resources/calculators to help you evaluate your situation. We also recommend that you speak with a tax advisor before making a decision.

Can I convert pretax savings to the Roth 457 savings account?

Yes, but keep in mind any amount converted to the Roth 457 savings account will be taxable as income. The resulting income taxes are payable for the year in which the conversion occurs. If you are still employed when the conversion occurs, the taxes cannot be deducted from your deferred compensation plan balance.

If you are eligible to withdraw assets from deferred comp, you can convert your pretax assets to Roth assets through an in-plan rollover. You are subject to income taxes upfront on the amount you convert. However, future distributions of Roth assets are tax-free if the requirements for a qualified distribution are met.



A Roth in-plan conversion is treated as a distribution, which means it can only take place within the plan's core investment lineup. Conversions between the two brokerage accounts are not permitted. The only way to convert money from the standard brokerage to the Roth brokerage is to first liquidate and transfer money from the standard brokerage to investments in your core account. You may then complete a conversion request and transfer the Roth money to your Roth-only brokerage account.

Can I invest my Roth contributions differently than my pretax contributions?

Yes. You can specify how each type of contribution will be allocated among the available investment lineup.

When am I eligible to withdraw Roth assets tax-free?

In order for the earnings portion of the distribution to be tax-free, the following requirements for a qualified distribution must be met:

- You are retired or separated from state service,
- Five years must have passed since January 1 of the year of your first Roth contribution, AND
- You are at least 59½ years old (or disabled or deceased) at the time of the distribution.

What else do I need to know about withdrawals of 457 plan Roth assets?

Roth assets can be withdrawn whenever distributions are permitted under the plan (e.g., retirement, termination, emergency situations). Pretax assets will be distributed prior to Roth assets, unless otherwise elected by you.

Beginning with RMDs due in 2024, Roth balances will be excluded from the RMD calculation. Roth was required to be part of the RMD calculation for RMDs due prior to January 1, 2024.

How can I make changes to my account?

You can always revise your savings strategy, by logging in to Account Access at www.modeferredcomp.org or by calling 800-392-0925.

There's no one-size-fits-all savings strategy and personal situations change often, so remember to review and revise your approach on a regular basis.