You've got a plan!

Your guide to a Governmental 457(b) Deferred Compensation Plan

MetLife

Navigating life together

Retirement may be near or many years into the future. Either way, planning for retirement income is important. That's why employers offer 457(b) deferred compensation plans as part of their benefits package.

A 457(b) plan for government employees is employer sponsored and allows individuals to contribute part of their salary toward their 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:	
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. Taxes won't be due on the savings until distributions are taken or withdrawn.*
Funding choices	Plans offer professionally managed funding options; you choose the ones that fit your personal investment objectives, including your 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; or withdraw your account balance, which may be subject to an income tax penalty.* There may be other options available, and you should carefully consider all your 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. Remember that whatever is chosen is generally subject to ordinary income taxation when the money is received.

* In general there is no penalty tax for early (before age 59½) distributions. However, if individuals 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 they 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, 457(b) accounts should be used to save for retirement. Generally speaking, plan rules do not allow distributions unless you no longer work for the employer maintaining the plan, retire, reach age 59½* or have an emergency as defined by IRS regulations. If a plan provides for unforeseeable emergency withdrawals, the emergency may occur with the participant, the participant's beneficiary, the participant's spouse or dependents. Please check the plan guidelines for 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 and penalties may also 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, the participant's spouse or certain dependents.

Maximum annual contribution

Generally, the maximum amount you may contribute to a 457(b) plan in 2022 is $20,500. You may also be eligible for "catch-up" contributions if you qualify. 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.

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 your regular and catch-up contributions under either of these alternatives:

Year	Governmental/employer plan maximum dollar limit if 50 or older	Maximum dollar limit if one of the last three years before year of plan's normal retirement age
2022	$27,000	$41,000

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 the plans' 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.

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

* 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.

The retirement you have can be the retirement you save for

Many people think 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 — it has always been intended to supplement retirement income. Social Security provides the average retiree with only 40% of his or her income. Additional retirement income comes from other sources, such as those accumulated over the retiree's lifetime.* Beyond Social Security, the income you receive during your retirement will be impacted by the actions you take now.

Even small amounts add up

You don't have to save large amounts of money at a time. Over time, even small contributions can add up. The sooner you start saving for retirement — or increasing your savings — the better, even if that amount may seem relatively small.

Look at this chart of a hypothetical saver. Let's assume she earns $35,000 a year, is paid bi-weekly and her savings earn a hypothetical 6% annual rate of return on her contributions. Over time, her savings add up — even with small contributions from each paycheck.

Years	1% contribution $13.46 per paycheck	2% contribution $26.92 per paycheck	3% contribution $40.38 per paycheck
5	$2,029.09	$4,058.18	$6,087.27
10	$4,744.47	$9,488.94	$14,233.41
20	$13,241.09	$26,482.18	$39,723.27
30	$28,457.25	$56,914.49	$85,371.74

Please note that federal tax laws limit individuals' contributions. The amount you may contribute annually may differ from that shown. The 6% 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. Values assume 6% effective annual interest rate. Contributions are assumed to occur at the end of each pay period.

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

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