

COMPARISON – 457 AND 403B

	457	403b
Contribution Options	You have the flexibility to designate all or a portion of your contributions as either traditional pre-tax or Roth after-tax (Roth) contributions.	You have the option to contribute a pre-tax percentage or flat amount; a Roth deferral option may also be allowed.
Maximum Annual Deferral	The 2020 annual contribution limit is \$19,500 per year. The limit is \$26,000 if you are 50 or older. You may put money in as either pre-tax, Roth or both. Employees of higher education agencies that have elected to offer Roth can participate in the Roth option.	99% of 403(b) eligible compensation or \$19,500 per year, whichever is less. The 2020 annual contribution limit is \$26,000 if you are 50 or older.
Transfer of Funds to Purchase Service	You may purchase military service, additional service credit, or refunded or other eligible ERS/TRS service credit by transferring funds from your TexaSaver program account while employed. This is not a taxable distribution.	A transfer may be made only if the transfer is either for the purchase of permissive service credit (as defined in section 415(n)(3)(A) of the Code) under the receiving defined benefit governmental plan or a repayment to which section 415 of the Code does not apply by reason of section 415(k)(3) of the Code.
Rollovers/In	If eligible, you may roll over funds from another eligible retirement plan or individual retirement account (IRA). Any money you roll in that was subject to the 10% early withdrawal penalty continues to be subject to the penalty if taken from the account before you are 59½. Rollovers from other eligible governmental 457 plans will not be subject to an early withdrawal penalty if directly rolled into the TexaSaver 457 Plan. Roth IRAs are not accepted. Only designated Roth accounts from another eligible retirement plan can be rolled over into your TexaSaver 457 Plan. You are encouraged to discuss rolling money from one account to another with your financial advisor/planner and to consider any potential fees and/or limitations of available investment options.	May rollover funds from an eligible retirement plan or individual retirement account (IRA). Rollovers must be in the form of cash only.
Age 50 and Over Catch-up	Age 50 and Over Catch-up If you are age 50 or older, you may contribute an additional \$6,500 in 2020 for a total of \$26,000 to each plan. ¹ This includes pre-tax and Roth contributions combined. You may not use this provision in the 457 Plan while using the special 457 catch-up provision.	
Special 457 Catch-up Provision.	Special 457 Catch-up Provision Cannot be used with the age 50 and over catch-up in the 457 plan Subject to eligibility. If you have unused deferrals, the special 457 Catch-up Limit is \$39,000 in 2020. You may participate only during the three years before the taxable year in which you attain normal retirement age.	Not available in a 403(b) plan.

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<p>Loans</p>	<p>Loans may be approved for \$1,050 to \$50,000 (subject to plan and IRS provisions). You must have an account balance of at least \$1,050 as there is a \$50 loan application fee that is deducted from the loan proceeds. There is a \$2.08 monthly maintenance fee assessed to your account until your loan is paid in full. Loan withdrawals and payments are prorated from pre-tax and Roth contributions.</p>	<p>Loans may be approved for the lesser of: (a) \$50,000, reduced by the greater of (1) the outstanding balance of any loan from the Plan to the Participant on the date the loan is made or (2) the highest outstanding balance on loans from the Plan to the Participant during the one-year period ending on the day before the date the loan is approved by the Administrator (not taking into account any payments made during such one-year period); OR (b) one half of the value of the Participant's vested Account Balance (as of the valuation date determined by the Vendor immediately preceding the date on which such loan is approved by the Administrator).</p>
<p>Financial Hardship <i>Only allowed through approval when you have no other resources, including plan loans.</i></p>	<p>Reasons for financial hardship include prevention of eviction or foreclosure from your primary residence, non-reimbursed medical expenses, funeral expenses, casualty loss or similar extraordinary and unforeseeable circumstances.</p>	<p>Reasons for hardship may include purchase of a primary residence, prevention of eviction or foreclosure from your primary residence, tuition expenses, funeral expenses or non-reimbursed medical expenses.</p>
<p>Distributions While Employed for Pre-Tax Contributions</p>	<p>Distributions While Employed for Pre-Tax Contributions If your 457 plan account has less than \$5,000 and has been inactive for two years, you may take a de minimis distribution; 20% may be withheld for federal income tax purposes. You can take a distribution if you are 70½ and still employed.</p>	<p>You may be eligible to take a distribution from your 403(b) Plan after age 59½ while still employed without a 10% early withdrawal penalty; 20% is withheld for federal income taxes unless funds are rolled to a qualified plan.</p>
<p>Distributions After Separation from Employer for Pre-Tax Contributions</p>	<p>You can start taking distributions after separation from state or higher education employment. You may roll over funds into other types of employer-sponsored plans, IRAs or other eligible options. Lump-sum distributions have 20% automatically withheld for federal taxes. Periodic distributions are allowed.</p>	<p>You may be eligible to take a distribution from your 403(b) Plan after age 59½ without a 10% early withdrawal penalty; 20% is withheld for federal income taxes unless funds are rolled to a qualified plan.</p>
<p>Distributions from Roth Contributions</p>	<p>Roth money may be withdrawn tax-free no earlier than five taxable years after your first Roth contribution AND when you: a) reach age 59½ and separate from service with your employer; b) become disabled; or c) die. Otherwise, earnings on Roth contributions may be taxed as ordinary income when you take a distribution. Contact your 403(b) Administrator to see what it allows.</p>	<p>N/A</p>
<p>Required Minimum Distributions (RMDs)</p>	<p>Must begin no later than April 1 following the year in which you turn 72 unless you are still employed.</p>	
<p>Tax Penalties</p>	<p>No 10% federal penalty tax applies to distributions of 457 money before age 59½. A 50% federal tax penalty applies if RMDs are not taken at age 72 unless you are still employed by the state.³ This applies to both pre-tax and Roth distributions.</p>	<p>A 10% federal penalty tax may apply to distributions made before age 59½. A 50% federal tax penalty applies if RMDs are not taken at age 72 unless you are still employed with the employer sponsoring the plan.</p>