

# 457 Governmental Plan



## FACT SHEET

457 Programs (also called deferred compensation programs) are retirement programs available to employees of state and local governments and political sub-divisions. A 457 Program allows participants to save for retirement by deferring a portion of their income now and paying taxes on it at withdrawal. There are no early distribution penalties that apply to 457 withdrawals.

457 Governmental Plan Overview											
<b>Tax Advantages</b>	<ul style="list-style-type: none"> <li>Employee deferrals are pre-tax</li> <li>Employee Roth 457 contributions are after-tax</li> <li>Employees pay no income taxes on contributions or earnings until they are received by the participant or their beneficiary</li> <li>Tax-deferral maximizes the compounding value and increases the participant's ultimate retirement income</li> <li>Flexible distributions are available through employee-controlled lump sum or periodic distributions following severance from employment</li> <li>Distributions prior to 59½ after severance from employment are not subject to IRS 10% early withdrawal penalty tax</li> <li>Roth 457 contributions and earnings are totally tax free at the time of distribution if certain requirements are met</li> </ul>										
<b>457 Features</b>	<ul style="list-style-type: none"> <li>Employees can elect to contribute from 0 up to 100% of their income, up to the IRS maximum of:</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #0070C0; color: white;">Tax Year</th> <th style="background-color: #0070C0; color: white;">457 IRS Maximum Contribution</th> <th style="background-color: #0070C0; color: white;">Age 50 Catch-up Contribution<sup>1</sup></th> <th style="background-color: #0070C0; color: white;">Age 60-63 Catch-up Contribution<sup>1</sup></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2026</td> <td style="text-align: center;">\$24,500</td> <td style="text-align: center;">\$8,000</td> <td style="text-align: center;">\$11,250</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>A special catch-up provision for the final three years before retirement may also allow for deferrals higher than the regular deferral rate</li> <li>Salary reductions make deferrals convenient and easy</li> <li>Employee pre-tax deferrals reduce the Federal, State<sup>2</sup> and Local<sup>2</sup> income taxes but are subject to Social Security (FICA) tax</li> <li>Employee Roth 457 after-tax contributions are subject to Local, State, Federal and Social Security (FICA) tax</li> <li>Flexibility for employees to change their deferral/contribution rates as desired</li> <li>Loans can be permitted under the plan</li> <li>Employee deferrals are always 100% vested</li> <li>The participant's account balance is eligible for distribution upon retirement, severance from employment, disability or death. Withdrawals generally are taxable as ordinary income</li> <li>Unforeseeable emergency distributions may be permitted</li> <li>Age 59½ in-service withdrawals may be permitted</li> </ul>			Tax Year	457 IRS Maximum Contribution	Age 50 Catch-up Contribution <sup>1</sup>	Age 60-63 Catch-up Contribution <sup>1</sup>	2026	\$24,500	\$8,000	\$11,250
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<b>Basic plan Features</b>	<ul style="list-style-type: none"> <li>Employees can defer any or all distributions until they are subject to IRS minimum distribution rules at the later of the IRS RMD age or retirement</li> <li>Younger and long-term employees benefit the most because they have more contribution opportunities and a longer period of tax-deferred earnings</li> <li><b>At severance from employment, you have several choices</b> <ol style="list-style-type: none"> <li>You can leave your money in the plan</li> <li>You may transfer your 457 account to another retirement plan</li> <li>You can transfer it into an IRA, or a Roth IRA</li> <li>You can withdraw your money</li> </ol> </li> </ul>										

<sup>1</sup>Starting Jan. 1, 2026, all catch-up contributions for employees participating in 401(k), 403(b) or 457 plans and who have wages that exceed \$150,000 (in FICA wages from the prior calendar year, indexed annually) are required to be made as an after-tax Roth contribution. These catch-up contributions are permitted under SECURE 2.0, and are subject to plan design and IRS guidance.

<sup>2</sup>Check with your tax advisor for your state and local income tax treatment.

Plan Suitability

457 Plans are favored when the employer:

- Wants to give employees the opportunity to enhance their own retirement benefits
- Wants employees to make all or part of their contributions
- Wants a plan with contribution flexibility
- Wants an inexpensive and easy-to-understand plan
- Wants to attract and retain key employees

Your path *To and Through Retirement*<sup>®</sup>  
begins here.

Talk to your financial professional to see whether a 457 Governmental Plan  
can complement your retirement portfolio or contact us at 800.888.2461.

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