



401(a) Governmental Defined Contribution Plan

FACT SHEET

401(a) Governmental Defined Contribution Plan Overview

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| Tax Advantages | <ul style="list-style-type: none"> Participants pay no income taxes on contributions or earnings until they are received by them or their beneficiary Tax deferral maximizes the compounding value and increases the participant's ultimate retirement income Flexible distributions are available through participant-controlled periodic payments from a "rollover" IRA |
| Plan Features | <ul style="list-style-type: none"> Ability to cover only specified employees Eligibility requirements can include up to age 21 and two years of service (1,000 hours each year) Contributions are discretionary each year, but must be substantial and recurring Contributions are allocated according to the formula specified in the plan Ownership of an employee's account can be tied to a vesting schedule based on years of service The participant's vested account balance is generally payable upon retirement, severance from employment, disability or death Taxable distributions on account of disability, death or after age 55 <i>and</i> severance from employment avoid the IRS 10% early withdrawal penalty 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 Younger and long-term employees benefit the most because they have more contribution opportunities and a longer period of tax-deferred earnings |
| Contributions | <ul style="list-style-type: none"> Matching contributions can be based on 457 salary deferrals The employer's contribution is limited to 25% of the participant's aggregate compensation The maximum annual addition to a participant's account is 100% of their compensation, subject to a \$69,000 annual limit (2024) Mandatory employee pretax salary deferrals are available [414(h) pick up] |
| Plan Suitability | 401(a) Defined Contribution Plans are favored when the Employer: <ul style="list-style-type: none"> Wants flexibility in making contributions Wants an inexpensive and easy-to-understand plan Wants to attract, keep and reward key employees |
| Advantages of Using a 401(a) Defined Contribution Plan for Employer Contributions | <ul style="list-style-type: none"> No offset against the 457 Plan contribution limit Contributions are not subject to FICA tax as in a 457 Plan A vesting schedule can apply to the contributions Participant loans can be made available The IRS 10% early withdrawal penalty can be avoided after age 55 (instead of 59½) |

Your path *To and Through Retirement*[®] begins here.

Talk to your financial professional to see whether a 401(a) Governmental Defined Contribution Plan can complement your retirement portfolio or contact us at 800.747.5164, Option 3.

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