Nationwide®
is on your side

There's a new way to invest for retirement.

Your Guide to Roth 457(b) Contributions

By now, you may have heard of the Roth IRA. You may have even set one up. Well, you also have the opportunity to designate all or part of your contributions to your governmental deferred compensation plan as after-tax Roth 457(b) contributions.

When you contribute to a Roth 457(b), your contributions are made with after tax dollars but withdrawals of contributions and earnings can be tax-free during retirement if certain conditions are met.[1]

If you wish, you can even split your contributions between traditional, pre-tax 457(b) contributions and Roth 457(b) contributions.

What's the benefit of designating some or all of your contributions as Roth? It may give you the opportunity to pay taxes on your contributions now and avoid taxes later.

Let's compare

	Traditional (pre-tax) 457(b)	Designated Roth 457(b) (Current Tax Bracket: 15%)	Designated Roth 457(b) (Current Tax Bracket: 25%)	Designated Roth 457(b) (Current Tax Bracket: 35%)
Single contribution	$10,000	$10,000	$10,000	$10,000
Less taxes paid on contribution	$0	$1,500	$2,500	$3,500
Net total contribution	$10,000	$8,500	$7,500	$6,500
Value in 20 years	$46,610	$39,618	$34,957	$30,296
Less taxes at distribution (25% tax bracket)	$11,652	$0	$0	$0
Net distribution	$34,957	$39,618	$34,957	$30,296

These examples are hypothetical in nature and assume a 25% tax bracket at distribution and the participant has met the criteria necessary for a tax free withdrawal at the time of distribution.. It also assumes that the retirement plan's value earns an average total return of 8% compounded annually. Investment return is not guaranteed and will vary depending upon the investments and market experience.

A single contribution of $10,000 will be worth the same amount in 20 years if the tax bracket remains the same. However, if the future tax rate is greater, the amount distributed from the Roth account could be greater than the pre-tax amount distributed from the traditional 457(b) account.

What's the difference?

	Traditional (pre-tax) 457(b)	Roth 457(b)	Roth IRA
Current contribution limit	Combined $18,000		$5,500
Current catch-up contribution limit — for those age 50 and older	Combined $6,000		$1,000
Contribution taxable in year contributed	No	Yes	Yes
Contribution taxable in year distributed	Yes	No	No
Contribution earnings taxable in year distributed	Yes	No[1]	No[1]
Your income could limit your contribution amount	No	No	Yes

Source: IRS.gov

Is a Roth 457(b) right for you?

You may want to consider making Roth 457(b) contributions if you:

- You want to take advantage of the potential tax-free withdrawals provided for with a Roth 457(b) account
- Are unable to contribute to a Roth IRA because of your income
- Are looking for an estate-planning tool to leave assets tax-free to heirs

If you decide contributing to a Roth 457(b) account makes sense for you, we're here to help. Call me today!

Contact your Nationwide Retirement Specialist:
Nationwide Local Miami Dade Team
305-375-4853

[1] Contributions and earnings from a Roth are not taxable if the distribution is made five years or more after January 1 of the first year that the participant made a Roth contribution to the plan AND the distribution is made on the account of the participant's death, disability or the attainment of age 59½ or a qualified first-time home purchase for Roth IRA.

NRM-8237AO.7 (12/15)

Nationwide®

MIAMI-DADE COUNTY