

RETIREMENT CHECK-UP



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403(b) or 457(b)? Understanding Your Options

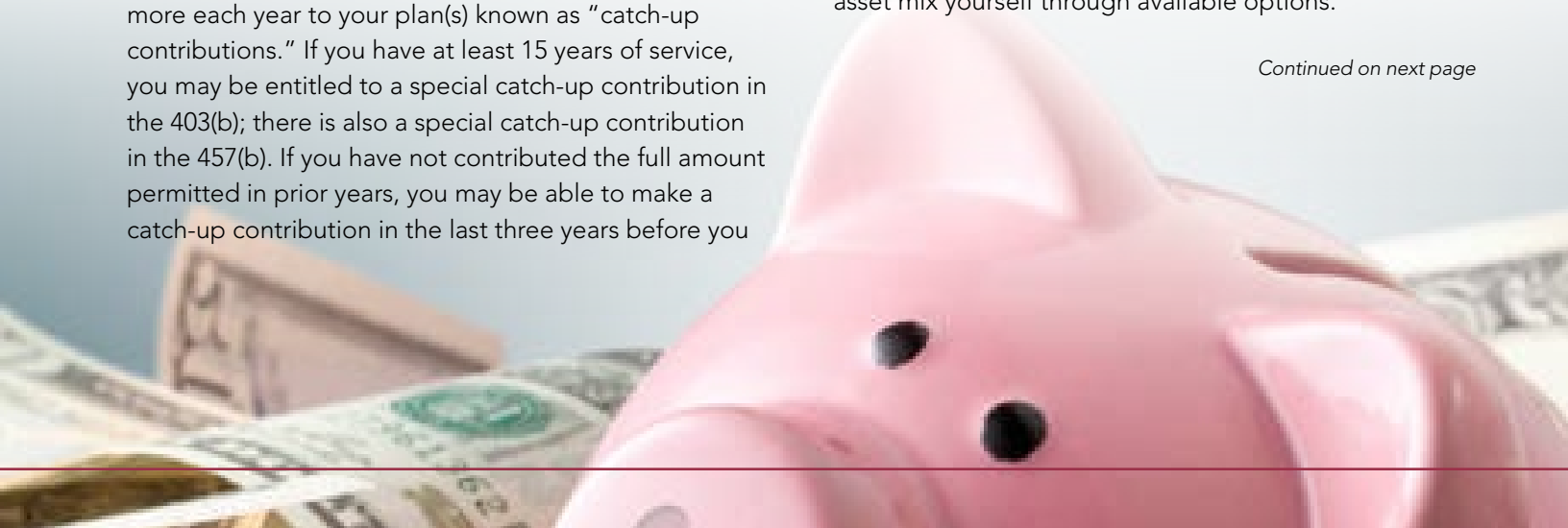
Many employees envision retirement as a period of relaxation and reward after years of working – and it can be if you are prepared. The steps you take toward retirement today pave the way for your financial future tomorrow. Make the most of your savings opportunities now to ensure you have the financial resources you need in retirement.

AACPS provides you with access to valuable retirement savings options through the Supplemental Retirement Program (SRP) and its two plans: a 403(b) and a 457(b) tax-deferred compensation plan. As an AACPS employee, you may participate in either the 403(b) plan or the 457(b) plan – or both. Or neither. The choice is yours. Understand your options so you can get retirement ready.

How the 403(b) and 457(b) are alike

- **Annual contribution limits.** For 2019, you can contribute a total of \$19,000 to your retirement account(s) such as the 403(b) and 457(b) plans. If you participate in both the 403(b) and 457(b) plans, you can contribute up to the annual contribution limit to each account; limits are not combined.
- **Pre-tax contributions.** With both the 403(b) and 457(b) plans through AACPS, you have the option of contributing via pre-tax salary deferrals (payroll deductions) and only paying taxes on those contributions when you access them during retirement.
- **Catch-up contributions and special contributions.** If you are age 50 or older, you can contribute up to \$6,000 more each year to your plan(s) known as “catch-up contributions.” If you have at least 15 years of service, you may be entitled to a special catch-up contribution in the 403(b); there is also a special catch-up contribution in the 457(b). If you have not contributed the full amount permitted in prior years, you may be able to make a catch-up contribution in the last three years before you reach your normal retirement date. Catch-up and special contributions can potentially increase your retirement savings faster and significantly. Your SRP providers can assist you in collecting necessary information to determine if you are eligible for special catch-up contributions.
- **Investment options.** You may invest your retirement savings through a number of available fund options through the SRP’s three plan administrators: Lincoln, VALIC and Voya. You can invest through set target date funds that calculate your age and risk tolerance, among other factors, and create a diverse portfolio of investment selections for you. Or, you may select your asset mix yourself through available options.

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How the 403(b) and 457(b) are different

The biggest differences between the 403(b) and 457(b) plans is how and when you can access your account dollars – and any rules and restrictions related to that.

- **Early withdrawal penalties.** You can access the funds in your 457(b) before you reach age 59 ½ without paying early withdrawal penalties. However, you generally face a 10% federal tax penalty for withdrawing funds from your 403(b) before age 59 ½.
- **Loans.** You may be able to get a loan if you need one through your 403(b). Loans may not exceed 50% of your 403(b) plan balance (up to a maximum of \$50,000), and can be repaid based on your loan provisions. You may only have one outstanding loan through the 403(b) plan at a time. Loans are not permitted through the 457(b) plan.
- **Hardship and emergency withdrawals.** You may be able to request a hardship withdrawal through your 403(b) if you have an immediate and heavy financial need such as certain medical expenses, costs relating to the purchase of your primary residence, tuition expenses, prevention of eviction/ foreclosure and funeral or burial expenses. You may not contribute to the plan for six months after making such withdrawal. With the 457(b) plan, you may be able to request a withdrawal for unforeseeable emergencies. An unforeseeable emergency is a severe financial hardship such as an unexpected medical expenses, loss of your property due to a casualty, prevention of eviction/foreclosure and funeral or burial expenses. Hardship and emergency withdrawals may not be re-paid to the plan(s).
- **Distributions while still working.** You may receive a distribution from your 457(b) account, even if you are still working, provided the amount does not exceed \$5,000, you have not made any contributions to the plan within the past two years, and you have not received a prior in-service distribution.

2019 Plan Highlights

	403(b)	457(b)
Contribution Limits		
Annual contribution limit	\$19,000	\$19,000
Age-based annual catch-up contribution limit	\$6,000	\$6,000
Features		
Federal/state taxes	Deferred	Deferred
Early withdrawal penalties	10% if under age 59 ½	None (normal income tax only)
Loan provisions	Yes	No
Investment options	Mutual funds	Mutual funds

The Three-Legged Stool

When it comes to retirement savings, you may have heard of the three-legged stool: pension, personal savings and social security. The three legs work together to provide you with a stable retirement. Neither the pension you receive through AACPS (if eligible) nor social security benefits are likely to meet all your needs in retirement. However, by maximizing your savings through the 403(b) and/or 457(b), you can see your savings grow and a solid retirement in your future.

You can never save too much. By contributing to the 403(b), 457(b) or both, you can potentially build your retirement savings faster.

