

# 457(b) Deferred Compensation Plan

An opportunity to take advantage of tax-deferred income for your retirement.



**AIG Retirement Services brings you the knowledge, investment options and personal services to help keep things simple.**

## Tax-deferred accumulation

Current federal income taxes on all contributions, interest and earnings in your 457(b) DCP are deferred until withdrawal, usually at retirement. Tax-deferred earnings, coupled with the power of compounding, may provide greater growth than might be possible with current taxable savings methods. Remember that income taxes are payable when you withdraw money from your account and restrictions may apply to withdrawals prior to age 59½.

## Pretax contributions

You contribute by convenient payroll reduction before federal income tax withholding is calculated. This helps reduce your current taxable income so you can save more for retirement with money that otherwise would have gone toward income taxes.

## Access to your savings

Generally, depending on your employer’s plan, your account contributions can be distributed in any of the following events:

- Reached age 59½\*
- Severance from employment
- Your death
- Unforeseeable emergencies

In addition, distributions are not subject to the 10% federal early withdrawal tax penalty except on amounts rolled into the 457(b) plan from other non-457(b) eligible retirement plans.

## Investment flexibility

We offer an array of innovative investment options from well-known investment managers. This provides the flexibility you might need to design a unique program tailored to your individual needs. Keep in mind that investment values will fluctuate so that your investments, when withdrawn, may be worth more or less than the original cost. Remember investing does involve risk, including the possible loss of principal. Your financial professional can assist you in choosing the options that will match your long-term goals.

Your salary deferral contributions made to the plan are not subject to the 10% federal early withdrawal tax penalty.

\* In-service distributions for money purchase pension, defined benefit and governmental 457(b) plans – the Miners Act reduces the minimum age for in-service distribution from pension plans (i.e., money purchase and defined benefit plans) from age 62 to age 59½ and, for governmental 457(b) plans, from age 70½ to age 59½. The provision applies to plan years beginning after December 31, 2019, 401(a) money purchase, and 401(a) defined benefit and governmental 457(b) plans. An employer must make an election to apply this provision.

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### 2022 contribution limits:

- 100% of annual includible income up to \$20,500
- Up to \$20,500 as a catch-up contribution if you are within the last three taxable years ending in the year before normal retirement age under your plan and undercontributed in prior years
- \$6,500 as an age-based catch-up for those age 50 or older [governmental 457(b) plan participants only]

### Tax-free loans

Tax-free loans, which are available under some governmental 457(b) plans, enable you to borrow against a portion of your accumulated account value, subject to certain limitations, without permanently reducing your account balance. Remember that defaulted loan amounts (not repaid on time) will be taxed as ordinary income.

**IMPORTANT NOTE:** You cannot benefit from both catch-up contribution amounts, but you may select the option that gives you the higher amount. Nongovernmental 457(b) plan participants are not eligible for the age-based catch-up option.

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