The Roth 457 Option:
Is it Right for You?

Your 457 plan accepts Roth 457 contributions, giving you the flexibility to designate all or a portion of your 457 elective deferrals as Roth contributions.

Roth 457 after-tax contributions and traditional before-tax 457 deferrals each have advantages. You should thoroughly review the following information and consider consulting a financial advisor prior to electing your contribution percentages.

How are Roth contributions different from traditional 457 contributions?
Roth contributions are made with after-tax dollars. Traditional 457 contributions are made on a before-tax basis and you pay taxes only when you take a distribution.

Do I pay taxes when I take a distribution from my Roth 457 account?
Your distribution is income-tax free if you are eligible for a distribution from your plan and you withdraw your Roth contributions and any earnings after holding the account for at least five tax years and:

• You are at least age 59½; or
• You become disabled; or
• You die (in which case, your beneficiaries will take a withdrawal).

If a distribution is made from your Roth 457 account before you reach age 59½ and it is not due to death or disability, or reaching the five tax year holding period, you will pay income taxes on any earnings that are distributed. Otherwise, there is no income tax due on the Roth contributions distributed from the plan since they are made with after-tax dollars.

How much can I contribute?
The maximum combined contribution limit in 2016 is $18,000. If you are age 50 or older, you can make additional “catch-up” contributions of $6,000. If you are in the three years ending prior to the year you attain normal retirement age under the plan, you may be able to contribute up to $36,000 in 2016 (called Special Catch-Up contributions). The amount you are able to contribute is based on amounts you were eligible to contribute to the 457 plan in previous years but did not. The Age 50+ Catch-Up and Special Catch-Up provisions may not be used in the same year.

How does the roth 457 differ from a roth IRA?
• Contribution Limits - Roth IRA contributions are limited to $5,500 in 2016 (or $6,500 if you are age 50 or older) versus $18,000 for the Roth 457 (or $24,000 if you are age 50 or older). So, you can contribute more on an after-tax basis to your Roth 457 than to a Roth IRA.
• Eligibility - If you're single and earn more than $131,000 a year or are married with a joint income of more than $194,000 in 2016, you aren't eligible to contribute to a Roth IRA in 2016. However, if you meet your plan's eligibility requirements, you can participate in the Roth 457 plan regardless of your income.

Can I roll over my account if I change employers?
Should you leave your current employer, you still have the option of rolling over your Roth 457 account to a Roth IRA or to a 457, 401(k) or 403(b) plan that has a designated Roth account and accepts Roth rollovers. You can roll over your traditional 457 account to any eligible traditional IRA, Roth IRA, governmental 457 plan, 403(b) plan or qualified 401(k) plan that accepts rollovers.
### At a Glance

<table>
<thead>
<tr>
<th><strong>Before-Tax 457</strong></th>
<th><strong>Roth After-Tax 457</strong></th>
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<tbody>
<tr>
<td>Is my contribution taxable in the year I make it?</td>
<td>No</td>
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<tr>
<td>Is my contribution taxed when distributed?</td>
<td>Yes</td>
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<tr>
<td>Are potential earnings on my contributions taxed when distributed?</td>
<td>Yes</td>
</tr>
<tr>
<td>If I change jobs, can I roll over my account?</td>
<td>Yes, to a qualified 401(k) plan, traditional IRA, Roth IRA, 403(b) plan or governmental 457(b) plan if the plan allows it</td>
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<tr>
<td>What is the maximum amount I can contribute?</td>
<td>Combined limit for contributions in 2016: $18,000 or $24,000, including the additional $6,000 Age 50+ Catch-Up contribution; or up to $36,000 in 2016 if eligible for Special 457 Catch-Up contributions. The Age 50+ Catch-Up and Special Catch-Up provisions may not be used in the same year.²</td>
</tr>
<tr>
<td>Do I have to take a minimum distribution at age 70½?</td>
<td>Once you reach age 70½, you are generally required to begin taking minimum distributions from either a Roth 457 or a before-tax 457 however you might not be required to take a minimum distribution. Refer to your plan provisions for more information.</td>
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</tbody>
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### Making the best choice for you

You will have to determine whether contributing to your plan on an after-tax Roth basis or a traditional before-tax basis makes more sense for your situation. The Roth 457 option essentially “locks in” today’s tax rates on all contributions. For some people—especially those who expect to be in a higher tax bracket when they retire—the Roth 457 option may make the most sense. If you’re one of those people, the Roth option allows you to pay taxes on your contributions when they are contributed (presumably at a lower tax rate than you would expect to pay at retirement).

If you expect to be in a lower tax bracket when you retire, you might want to consider contributing to your 457 on a before-tax basis. You won’t pay taxes on your contributions or any earnings on your contributions until you take a distribution, which is usually at retirement (when many people expect their retirement earning power and tax burden to be lower than it is today).

### The bottom line: participate!

Regardless of which type of contributions you choose, the important thing is to contribute as much as you can today for your retirement tomorrow. If after you’ve done your research and consulted the experts you decide that Roth 457 contributions are right for you, you can make the appropriate changes to your account by completing a Salary Deferral Agreement form available from your employer’s human resources department, or by visiting your plan’s website or calling the automated phone line.⁴ If you are not currently enrolled in your plan, you can elect to make Roth 457 contributions by completing your plan’s enrollment form.

For more information about Roth 457, please contact your plan representative.³

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¹ Representatives of GWFS Equities, Inc. are not registered investment advisers and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

² Age 50+ Catch-Up may not be available for certain 457 plans. Additionally, certain 457 plans may not allow Special Catch-Up contributions.

³ You are encouraged to discuss rolling money from one account to another with your financial advisor/planner, considering any potential fees and/or limitation of investment options.

⁴ Access to the voice response system and/or any website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

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