MissionSquare
RETIREMENT

457 Plan Roth Options

Roth Basics

1. What are Roth contributions?

Roth contributions to your 457 Deferred Compensation Plan are made on an after-tax basis and can be withdrawn tax-free if certain criteria are met.

2. When can Roth assets be withdrawn tax free?

Roth assets, including Roth contributions and associated earnings, can be withdrawn tax free if the following requirements for a qualified distribution are satisfied:

- Five years have passed since January 1 of the year of your first Roth contribution.
- You are at least 59½ years old, or permanently disabled, or the assets are being paid to your beneficiaries following your death.

3. What if the requirements for a qualified distribution are not met?

Roth contributions can be withdrawn tax-free, but the earnings portion of the distribution will be taxable.

4. What is an in-plan Roth conversion?

An in-plan Roth conversion is the process of converting pre-tax retirement plan assets to Roth assets without removing the assets from the plan. You are subject to income taxes on the amount you convert. Since an in-plan Roth conversion may result in a significant tax liability, MissionSquare Retirement recommends you consult with a qualified tax professional.

5. How do the Roth provisions benefit you?

Potential benefits include:

- **Tax-free distributions** – Qualified distributions of Roth assets are not subject to taxes.
- **Higher contribution limits than Roth IRAs** – 457 plans allow for greater after-tax savings, including the ability to make Roth contributions to both a Roth IRA and a 457 plan.
- **Eligibility at all income levels** – Unlike Roth IRAs, your ability to make Roth contributions to a 457 plan is not restricted by income.
- **Tax planning** – Having both pre-tax assets and Roth assets available allows you to choose the source of funds most advantageous to your situation.

Roth Contributions

6. How do I elect to make Roth contributions?

Use the *Contribution Change Form* available at **www.missionsq.org** or contact a Plan Services representative.

7. Who should consider Roth contributions?

Roth contributions may be most appropriate for you if you're expecting to pay a higher tax rate in retirement. They allow you to pay taxes on the contributions now, at a lower tax rate, and receive tax-free distributions in retirement. A Roth analyzer tool is available at **www.missionsq.org/rothanalyzer** to help you evaluate Roth vs. pre-tax contributions.

8. What is the maximum Roth contribution I can make to a 457 plan?

The same annual limitations that apply to pre-tax contributions apply to the combination of all contributions to the plan, including pre-tax and Roth. Visit **www.missionsq.org/contributionlimits** to learn more.

9. Can I make both pre-tax and Roth contributions?

Yes. You can make both types of contributions, up to the annual contribution limit in effect for the year, and making both may make sense for you.

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Distributions of Roth Assets

10. When can I withdraw Roth assets?

Roth assets can be withdrawn whenever a distribution of non-Roth assets is permitted under your plan (for example, retirement, termination, emergency situations). Pre-tax assets will be distributed prior to Roth assets, unless otherwise elected, to help ensure that Roth assets are not distributed prior to the distribution being qualified (tax free).

11. Do required minimum distribution (RMD) rules apply to Roth assets?

Yes. The same RMD rules that apply to other assets in your plan also apply to Roth assets. Distributions from the 457 plan must generally begin in the year you reach age 70½ or separate from service, whichever occurs later.

Roll-Ins of Roth Assets

12. Can Roth assets be rolled in from the 457 plan to another plan?

Generally, yes. However, the receiving plan must be able to accept and provide recordkeeping for Roth assets (for example, another 457 plan that allows Roth contributions, or a Roth IRA).

13. How do roll-ins of Roth assets from other retirement plans impact the five-year period used to determine whether or not distributions are qualified?

The five-year period is calculated using the year of your first Roth contribution to the plan from which assets are being rolled out of or rolled into, whichever is earlier. For example, if you roll in Roth assets from a previous employer's retirement plan where you began making Roth contributions prior to making Roth contributions to your current employer's plan, the earlier date will be used to determine when you're eligible to receive qualified distributions of Roth assets.

14. How will a roll-in to a Roth IRA impact the five-year period?

Regardless of the date of your first Roth contribution to the 457 plan, the date of your first Roth IRA contribution determines whether distributions from the IRA are subject to taxes.

15. Can a Roth IRA be rolled into a 457 plan?

No. A Roth IRA cannot be rolled into a 457 plan, even if the plan allows for Roth contributions.

In-Plan Roth Conversions

16. How do I request an in-plan Roth conversion?

Contact MissionSquare and request the In-Plan Roth *Conversion Form*.

17. Will an in-plan Roth conversion impact the five-year period used to determine if distributions are qualified (i.e., tax-free)?

Yes. If you had not previously made Roth contributions to the plan, January 1 of the year in which the conversion takes place will be used as the date of your first Roth contribution.

18. What are the tax implications of converting pre-tax assets to Roth assets?

You will be subject to income taxes on the amount you convert. This can result in a significant tax liability (no taxes are withheld as part of the conversion). **MissionSquare recommends you consult with a qualified tax professional before requesting an in-plan Roth conversion.**

19. Can I convert pre-tax amounts to Roth amounts through a roll-in to a Roth IRA, rather than an in-plan conversion?

Yes. If otherwise eligible for a direct roll-in, 457 plan assets are eligible for a direct roll-in to a Roth IRA.

20. Are there any advantages to rolling the assets into a Roth IRA instead of doing an in-plan Roth conversion?

Yes. If you do a direct roll-in to a Roth IRA, you can change your mind and reverse the taxable conversion by moving the assets to a traditional IRA through a process known as a recharacterization. This must be done prior to the deadline for filing your tax return plus extensions for the year in which the conversion took place (generally, October 15 of the year following the calendar year in which the conversion took place). Additionally, Roth IRA assets are not subject to required minimum distributions.