457(b) deferred compensation plan

Strategies that can help secure your future

The 457(b) deferred compensation plan offered by your employer can be a smart way to save money for your retirement. It makes investing easy and may help you create a more financially secure future for you and your family.

What is a 457(b) plan?

A 457(b) deferred compensation plan is a retirement plan that allows public employees like you to set aside money for retirement from every paycheck.

Benefits include:

- Potentially bridges the gap between your pension/Social Security benefits and the income you'll need in retirement
- Contributions and potential earnings are tax deferred
- Designed for long-term investing

About 40% of households are at risk of not having enough to maintain their living standards in retirement.[1]

[1] "The National Retirement Risk Index: An Update from the 2022 SCF," Center for Retirement Research at Boston College (Feb. 27, 2024).

Why contribute to deferred compensation?

For most Americans, their pension and Social Security benefits will not provide enough retirement income.

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On average, **a pension replaces about half** of pre-retirement income.[2]

ABOUT 80%

Most **experts suggest you will need about 80% of current income** to maintain your standard of living.[3]

$$$

At an average annual inflation rate of 3.5%, **in 20 years you'll need about $10,000 to buy what $5,000 buys now**.[4]

The deferred compensation plan also takes into account that you may retire sooner than workers in other sectors, so if you retire before age 59½, there are no additional 10% early withdrawal taxes to pay.

[2] "Pensions at a Glance 2023: OECD and G20 Indicators," Organization for Economic Cooperation and Development (February 2024).

[3] "How Much Do I Need to Save to Retire?" Investopedia (Jan. 2, 2024).

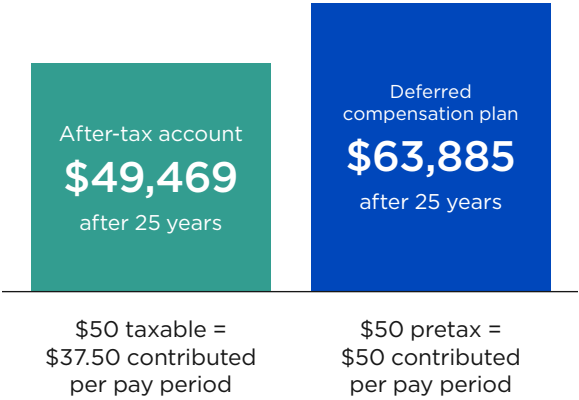
[4] The calculation for inflation-adjusted future value is based on the future value formula adapted for inflation.

Benefits of a tax-deferred plan

A deferred compensation plan helps you invest more because contributions are pretax. Generally, your taxable income is reduced by the amount you defer.

Your investments also potentially grow tax deferred, meaning you don't pay taxes until you start to make withdrawals, typically in retirement.

Pretax deferrals help you save more



This hypothetical illustration assumes a 25% tax rate, $50 biweekly deferrals (for 25 years), and a 7% rate of return with reinvestment of income. Totals shown are after-tax lump sums. The tax-deferred total does not reflect fees and expenses incurred under a particular investment, which would reduce the performance shown. This information is not intended to predict or project results of any investment. Investment return is not guaranteed and will vary.

A deferred compensation plan gives you options

A deferred compensation plan is flexible by design, making participation easy:

- **You decide how much to contribute** and where to invest
- **Contributions are deducted automatically**
- **Many people increase contributions** annually or after receiving a raise
- **Other retirement assets can be consolidated** into your plan
- **Special catch-up provisions** allow people age 50 and over to save even more

How much should you contribute?

How much you save depends on your financial goals, estimated expenses and desired lifestyle in retirement. You'll also want to consider:

- Inflation
- Rising health care costs
- Longer life expectancy

The IRS sets limits on how much you can contribute every year. You'll find information on current guidelines under **Investing** at NRSforU.com.

Set goals, track progress and find ways to improve your retirement using My Income & Retirement Planner® at **NRSforU.com**.

It takes just a few minutes to enroll.

The more time your money is invested, the more time it has to grow, so it can be smart to start investing in the deferred compensation plan now.

To enroll or learn more:

- Visit NRSforU.com
- Talk to your local Nationwide Retirement Specialist
- Call 1-855-463-4977

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