

403(b) vs. 457(b): Which is better for you?

Or choose both and possibly save twice as much a year – tax deferred



What's the difference?

403(b)	457(b)
Key difference: It's easier to access your funds while you are employed by the plan sponsor.	Key difference: You are not subject to the 10% federal early withdrawal tax penalty once you leave the plan sponsor.
Here's why:	
Less stringent withdrawal restrictions while you are employed, but a 10% federal early withdrawal tax penalty might apply.	More stringent withdrawal restrictions while you are employed, but no 10% federal early withdrawal tax penalty after severance from employment [except in the case of rollovers from non-457(b) plans, including IRAs].
Generally withdrawals made prior to severance from employment or the year you reach age 59½ can only be made due to financial hardship.	Generally withdrawals made prior to severance from employment or the year in which you reach age 70½ can only be made for an unforeseeable emergency.
A financial hardship withdrawal is considered less restrictive — while you are employed — than a 457(b) unforeseeable emergency. Examples of financial hardship include: <ul style="list-style-type: none"> • Unreimbursed medical expenses • Payments to purchase a principal residence • Higher education expenses • Payments to prevent eviction or foreclosure of a mortgage 	An unforeseeable emergency is more restrictive — while you are employed — than a 403(b) financial hardship. Some examples: <ul style="list-style-type: none"> • A sudden and unexpected illness or accident for you or a dependent • Loss of your property due to casualty • Other similar extraordinary circumstances arising as a result of events beyond your control Sending a child to college or purchasing a home, two common reasons for 403(b) hardship withdrawals, generally are not considered unforeseeable emergencies
Withdrawals can be subject to a 10% federal early withdrawal tax penalty prior to age 59½.	The 10% federal early withdrawal tax penalty, generally applicable to distributions prior to age 59½ from a 403(b) plan, does not apply to distributions from 457(b) plans except on amounts rolled into the plan from non-457(b) plans (including IRAs).

403(b) vs. 457(b)

Visit aig.com/RetirementServices or contact your financial advisor with any questions.

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Retirement plan limits for 2019

This list summarizes the maximum contributions allowable for most plan types as well as a number of plan thresholds.

Plan Type and Limitation	2018	2019
403(b), 401(k) or SARSEP employee elective salary deferral limit Limit applies to the total of pretax and Roth 403(b) and 401(k) contributions	\$18,500	\$19,000
457(b) deferral limit	\$18,500	\$19,000
403(b), 457(b), 401(k), SARSEP age 50 or older catch-up limit [not applicable to nongovernmental 457(b) plans]	\$6,000	\$6,000
403(b) service-based catch-up for employees with 15 or more years of service who work for a qualifying employer and have undercontributed in prior years	\$3,000	\$3,000
457(b) service-based catch-up for employees who have undercontributed in prior years and are within the last three taxable years ending the year before the year they attain normal retirement age as specified under the plan		
457(b) plan participants who are eligible for both the age-based and service-based contributions cannot combine the two catch-up amounts, but may contribute up to the higher amount	\$18,500	\$19,000
Traditional and Roth IRA contribution limit	\$5,500	\$6,000
Traditional and Roth IRA age 50 or older catch-up limit	\$1,000	\$1,000
SIMPLE IRA/401(k) salary deferral limit	\$12,500	\$13,000
SIMPLE IRA/401(k) age 50 or older catch-up	\$3,000	\$3,000
Highly compensated minimum salary	\$120,000	\$125,000
401(a)(17) compensation limit (the limit that may be considered under a tax-qualified plan unless grandfathered government plan)	\$275,000	\$280,000
Defined contribution plan 415 limit (the limit on total employer and employee contributions, whether elective or not)	\$55,000	\$56,000
Defined benefit plan 415 limit	\$220,000	\$225,000
Social Security wage base	\$128,400	\$132,900

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What I Can Provide

As a licensed advisor with VALIC Financial Advisors, Inc., I have the experience and resources to help clients with a range of financial services and investment options, including:

- Retirement Planning
- Financial Planning
- Investment Planning
- College Planning
- Asset Allocation
- Brokerage/Cash Management Accounts
- Mutual Funds
- Fixed and Variable Annuities
- Insurance Planning
- Life Insurance

About VALIC Financial Advisors, Inc.

At VALIC Financial Advisors, Inc., we have been serving the retirement planning needs of those who serve others for more than 60 years. We take a personal approach to retirement plans, offering customized solutions to meet your individual goals.

A VALIC financial advisor is available to meet with you wherever and whenever it's convenient for you - to discuss the financial topics that are most important to you. We are here to help guide you through the life events that may affect your financial outlook today, or in the future.

Personal Information

My experience and knowledge make me a valuable resource. I have been associated with the VALIC companies since 2017.

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