



403(b) vs. 457(b)...

Whats the difference?



| FEATURES | 403(b) Plans | 457(b) Plans |
|--|---|--|
| Contribution Limits & Coordination of Contribution Limits | <ul style="list-style-type: none"> • \$23,000 maximum contribution plus catch-up options • 403(b) limits no longer reduced by 457(b) contributions (1) | <ul style="list-style-type: none"> • \$23,000 maximum contribution plus catch-up options • 457(b) limits no longer reduced by 403(b) contributions |
| Early Withdrawal Penalty Tax | 10% early withdrawal federal penalty tax may apply for distributions prior to age 59 1/2. Waived if age 55 and separated from service (normal income tax only) (2) | None (normal income tax only) |
| Employer Control | Employer responsible for administration | Employer responsible for administration |
| Eligibility Rules | No discrimination rules apply - employer defines and limits eligibility. | Deferrals available to all eligible employees receiving W-2 wages. |
| Age 50 Catch-Up Option | \$7,500 annual limit (not available if special catch-up option utilized). | \$7,500 annual limit. Special catch-up option may also be utilized. |
| Special Catch-up Option (If Permitted by Plan) | Fifteen years of service option increases limit by the lesser of: <ul style="list-style-type: none"> • \$3,000; • \$15,000 less additional limit used in past years; or • Excess of \$5,000 times years of service, less past elective deferrals. | Three years prior to normal retirement age allows the lesser of: <ul style="list-style-type: none"> • Two times current year's normal contribution limit; or • Underutilized limits from past years with the same employer. |
| Transfer to Purchase Service Credits | Available | Available |
| Distribution Restrictions | Funds cannot be distributed until: <ul style="list-style-type: none"> • Age 59 1/2; • Age 55 and/or severance; • from employment; • Disability; • Death; or; • Financial hardship. | Funds cannot be distributed until: <ul style="list-style-type: none"> • Age 59 1/2; (3) • Severance from employment; • Disability; • Death; or; • Unforeseeable emergency. |
| Portability of Plan Funds After Qualifying Event (Plan Restrictions May Apply) | Funds may be rolled over to: <ul style="list-style-type: none"> • Another 403(b) • 457(b) Governmental • IRA (Traditional, SEP) • 401(a) Plan (Pension, Profit Sharing, 401(k), STRS) | Funds may be rolled over to: <ul style="list-style-type: none"> • Another 457(b) • 403(b) TSA • 401(a) Plan (Pension, Profit Sharing, 401(k), STRS) • IRA (Traditional, SEP) |
| Financial Need Distribution (Hardship/Unforeseeable Emergency Withdrawals) | Contributions (but not earnings) may be distributed to extent required for a financial hardship even if Forseeable and voluntary, such as: <ul style="list-style-type: none"> • Medical care; • Payments needed to prevent eviction from or foreclosure on home; • Payment of tuition; or • Purchase of a home, | Contributions and earnings may be distributed to extent required for an unforeseeable emergency (sudden and unforeseen) beyond control of participant, such as: <ul style="list-style-type: none"> • Medical care; • Casualty loss |
| Loans | Permitted with loans from all qualified plans limited to the lesser of: <ul style="list-style-type: none"> • \$50,000 or • One half of vested benefits (or \$10,000, if greater) | Permitted with loans from all qualified plans limited to the lesser of: <ul style="list-style-type: none"> • \$50,000 or • One half of vested benefits (or \$10,000, if greater) |
| Required Minimum Distributions | RMD rules apply at age 72 or later, severance from service, and also after death. | RMD rules apply at age 72 or later, severance from service, and also after death. |

Figures reflect 2024 contribution limits.

- (1) - Reduced by elective deferrals to 402(k) plans, SEP plans or SIMPLE plans.
- (2) - Unless attributable to rollover from another type of retirement plan.
- (3) - For plans that adopted Sec. 104 of the Bipartisan American Miners Act of 2023 Otherwise, age 70 1/2.