

## Overview

The 457(b) is a Deferred Compensation Plan (DCP) developed by the IRS to allow employees (participants) to save pre-tax dollars for retirement to supplement their Texas TRS pension plan. On average, a career educator's

Texas TRS pension replaces 65-69% of their income in retirement.<sup>1,2</sup> Currently, studies show that at a minimum, approximately 80% of income replacement is necessary to maintain the same standard of living in retirement.<sup>3</sup> A 457(b) offers school employees a way to bridge that gap while saving for retirement.

## Tax Advantages

Contributions are made to a 457(b) before taxes are taken from the employee's paycheck, reducing their taxable income. Any interest or earnings credited to the 457(b) will not be taxed until funds are withdrawn.

## Withdrawals

Participants may withdraw from a 457(b) when you leave your employer, or in the case of death, disability, or unforeseeable emergency. Supporting documentation is required. Distributed funds cannot be rolled back into the plan.

## Loans

A loan may be taken against 457(b) funds while the participant is still employed. Repayment terms and interest rates are determined by your plan's vendor or as specified by the product you choose.

## Contribution Limits

In 2022, you may contribute up to \$20,500 to your 457(b). It is possible to make a catch-up contribution if you meet the following requirements in 2022:

- Age 50+, you can contribute an additional \$6,500 as a "catch-up" contribution bringing your total to \$27,000 annually.

## The Pre-Tax Savings Advantage

Based on a teacher's annual income of \$57,500

457 Monthly Contribution	\$100/Month		\$250/Month		\$500/Month	
Monthly gross income	\$4,792		\$4,792		\$4,792	
Standard deductions	w/o 457 \$994	w/ 457 \$972	w/o 457 \$994	w/ 457 \$939	w/o 457 \$994	w/ 457 \$884
Net pay w/o 457 contribution	\$3,798		\$3,798		\$3,798	
Net pay w/ 457 contribution	\$3,720		\$3,603		\$3,408	
Change in your paycheck	\$88		\$195		\$390	

This hypothetical example is for illustrative purposes only. This example is based on a teacher in the state of Texas claiming single and zero allowances and in the 22% tax bracket.



## We are here to help you!

The 457(b) provider for your district is National Life Group (NLG). The plan is serviced by Retirement Education Partners (REP) an independent agency. If you have questions, or would like to enroll in a 457(b), please contact:

### Jarret Hughes, Financial Representative

Phone: 281-541-2768

Email: Jarret\_Hughes@rep403b.com

### Tiffany Hughes, Financial Representative

Phone: 832-515-5837

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### Retirement Education Partners, Agency

Phone: 1-888-746-4160

Email: appointment\_invitation@rep403b.com

Text: 325-221-0808

A 457(b) account must be opened prior to your first contribution.

[1] Source: Information sourced from Texas Teachers Retirement System (TRS) website, 2022.

[2] Source: A career educator is defined as an individual who retires at age 62 with 32 years of service or more. (Texas TRS website 2022)

[3] Source: "How much do you need to Retire?" Investopedia; www.investopedia.com/retirement/how-much-you-should-have-saved-age/

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