

Understanding Your 457(b) & Roth 457(b)

Overview

The 457(b) and Roth 457(b) are retirement plans designed for school employees to supplement their CalSTRS/CalPERS pension plan. On average, your pension replaces 50% to 60% of income in retirement.¹ Studies show at a minimum, you'll need approximately 85% income replacement to maintain the same standard of living in retirement.² A 457(b) and Roth 457(b) offer school employees a way to bridge that gap while saving for retirement.

457(b)

Taxes

Contributions are made to a 457(b) before taxes are taken from your paycheck, reducing your taxable income. Taxes are paid on withdrawals, typically in retirement, when you'll likely be in a lower tax bracket.

Withdrawals

You may begin taking withdrawals from a 457(b) at age 59½ or when you leave your employer, or in the case of death, disability or an unforeseeable emergency. Supporting documentation is required, and you may be subject to penalty fees. Distributed funds cannot be rolled back into the plan.

Loans

A loan may be taken against 457(b) funds while you're still employed. Repayment terms and interest rates are determined by your plan's vendor.

Roth 457(b)

Taxes

Contributions are made to a Roth 457(b) after taxes are taken from your paycheck, allowing your earnings to grow — and withdrawals taken — tax-free if the account has been open for at least five years and you're age 59½ or older.

Withdrawals

You may withdraw from a Roth 457(b) at age 59½ or when you leave your employer, or in the case of death, disability or an unforeseeable emergency. Supporting documentation is required and you may be subject to penalty fees. Distributed funds cannot be rolled back into the plan.

Loans

A loan may be taken against Roth 457(b) funds while you're still employed. Repayment terms and interest rates are determined by your plan's vendor.

Contribution Limits

In 2026, you may contribute up to \$24,500 to a 457(b) and/or Roth 457(b), combined. It's possible to contribute more than the maximum if you meet the following requirements in 2026:

- Age 50+ = an additional \$8,000.
- Age 60-63 = an additional \$11,250.
- Age is within three years of Normal Retirement Age (NRA)³ = up to an additional \$24,500.

Here To Help You

If you have questions or would like to open a 457(b) account, please contact:

Michael Duarte

Financial Representative

714-914-7447 cell

mduarte@schoolsfirstfcu.org

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1. California State Teachers' Retirement System Member Handbook, 2023. 2. "How much will you spend in retirement?" Fidelity.com, 2022. 3. Normal Retirement Age (NRA) varies by pension plan. Please check with your plan administrator to confirm your specific NRA.

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