

# 457(b)

## 457(b) Deferred Compensation Plan

An opportunity to take advantage of tax-deferred income for your retirement

SAVING : INVESTING : PLANNING

**Your salary deferral contributions made to the plan are never subject to the 10% federal early withdrawal penalty.**

VALIC brings you the expertise, investment options and personal services to help keep things simple.

### **Tax-deferred accumulation**

Current federal income taxes on all contributions, interest and earnings in your 457(b) DCP are deferred until withdrawal, usually at retirement. Tax-deferred earnings, coupled with the power of compounding, may provide greater growth than might be possible with current taxable savings methods. Remember that income taxes are payable when you withdraw money from your account and restrictions may apply to withdrawals prior to age 70½.

### **Pretax contributions**

You contribute by convenient payroll reduction before federal income tax withholding is calculated. This helps reduce your current taxable income so you can save more for retirement with money that otherwise would have gone toward income taxes.

### **Access to your contributions**

Generally, depending on your employer's plan, your account contributions may be distributed upon any of the following events:

- > Reached age 70½
- > Severance from employment
- > Your death
- > Unforeseeable emergencies

In addition, distributions are not subject to the 10% federal early withdrawal penalty except on amounts rolled into the 457(b) plan from other non-457(b) eligible retirement plans.

### 2016 contribution limits:

- > 100% of annual includible income up to \$18,000
- > Up to \$18,000 (in 2016) as a catch-up contribution if you are within the last three taxable years ending in the year before normal retirement age under your plan and undercontributed in prior years
- > \$6,000 as an age-based catch-up for those age 50 or older [governmental 457(b) plan participants only]

IMPORTANT NOTE: You cannot benefit from both catch-up contribution amounts, but you may select the option that gives you the higher amount. Nongovernmental 457(b) plan participants are not eligible for the age-based catch-up option.

### Tax-free loans

Tax-free loans, which are available under some governmental 457(b) plans, enable you to borrow against a portion of your accumulated account value, subject to certain limitations, without permanently reducing your account balance. Remember that defaulted loan amounts (not repaid on time) will be taxed as ordinary income.

### Investment flexibility

VALIC offers an array of innovative investment options from well-known investment managers. This provides the flexibility you might need to design a unique program tailored to your individual needs. Keep in mind that investment values will fluctuate so that your investments, when withdrawn, may be worth more or less than the original cost. Remember investing does involve risk, including the possible loss of principal. Your financial advisor can assist you in choosing the options that will match your long-term goals.

### Real strategies

Let us put real retirement strategies to work for you

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VALIC.com

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1-800-426-3753

**VISIT**

your VALIC financial advisor

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VC 16593 (01/2016) J98038 EE



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