

# Rolling 457(b) Plans into IRAs

As an employee of a state or local governmental unit, you may be participating in a tax-advantaged retirement plan known as a 457(b) plan, named for the section of the Internal Revenue Code that authorizes these accounts. Now, as a result of recent tax law changes, you can move — or roll over — the money from your 457(b) plan into an IRA, once you have left your place of employment.

## KEY 457(b) BENEFIT: TAX DEFERRAL

While you work at your government job, your 457(b) plan offers you a significant benefit – tax deferral. You pay no taxes on your plan assets until you start making withdrawals, typically at retirement. Consequently, your money will accumulate faster than if it were placed in an investment on which you paid taxes every year.

When you left your government job, you were not allowed to roll your 457(b) assets into another retirement plan, such as an IRA.

Although the rollover itself is tax-free, once your 457(b) assets become part of an IRA, they are subject to the same 10 percent early withdrawal penalties that apply to the rest of the IRA.

## 457(b) ROLLOVER GUIDELINES

It is important to consider the following items before you roll your 457(b) assets into a traditional IRA.

- You must leave your job before you move your 457(b) plan to an IRA; you cannot make this rollover while you're still working for the governmental unit or agency that provides you with the 457(b) plan.
- While many 457(b) plans allow for rollovers to an IRA, you will first need to check with your plan administrator to make certain this rollover option is permitted in your plan.

- Some 457(b) plans permit “partial” rollovers. This may benefit you if you want to move your 457(b) assets to more than one IRA. Again, please first check with your plan administrator to determine whether this option is available to you.
- You can only roll your 457(b) plan assets into a “traditional” tax-deferred IRA. Thereafter, you may be able to convert this IRA into a Roth IRA, provided you meet the appropriate adjusted gross income (AGI) requirements. Roth IRA earnings grow totally tax-free, provided you've had your account for at least five years and you're at least 59½ when you start making withdrawals, or you meet one of the other qualifying events, including death, disability, or a first time home purchase.

## IRAS OFFER KEY BENEFITS

Your 457(b) rollover will allow you to take advantage of the benefits offered by IRAs, including the following:

- *Wide variety of investment options* — You can fund your IRA with virtually any investment you choose, including stocks, bonds, mutual funds, CDs and government securities.
- *Tax deferral* — Like your 457(b) plan, a traditional IRA grows on a tax-deferred basis, so more of your money is working for you right away.
- *Potential tax deductions* — Depending on your income level, you may be able to make tax deductible contributions to your traditional IRA.
- *Penalty-free withdrawal options* — If you qualify, you can make penalty-free withdrawals from your traditional IRA to pay for higher education expenses or for a first home.



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## *Rolling 457(b) Plans into IRAs, continued*

### **INVESTMENT OPTIONS**

You're free to fund your IRA with a variety of investments. If you decide to invest in mutual funds, as many people do, then you may want to consider RBC Wealth Management's No Annual Fee program, which allows you to establish an IRA without paying the annual administrative fees.

### **CALL YOUR FINANCIAL CONSULTANT**

If you have additional questions on rolling over the assets from your 457(b) plan to an IRA, please contact your RBC Wealth Management® Financial Advisor.

Your Financial Advisor can help you evaluate your retirement needs and make appropriate recommendations regarding your IRA investments.

For more information about RBC Wealth Management and our products and services, visit [www.rbc-usa.com](http://www.rbc-usa.com).

*RBC Wealth Management does not provide tax or legal advice. We will work with your independent tax/legal advisor(s) to help create a plan tailored to your specific needs.*

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