

403(b) vs. 457(b): Which is better for you?

Or choose both and possibly save twice as much a year – tax deferred



What's the difference?

403(b)	457(b)
<p>Key difference: It's easier to access your funds while you are employed by the plan sponsor.</p>	<p>Key difference: You are not subject to the 10% federal early withdrawal tax penalty once you leave the plan sponsor.</p>
<p>Here's why:</p>	
<p>Less stringent withdrawal restrictions while you are employed, but a 10% federal early withdrawal tax penalty might apply.</p>	<p>More stringent withdrawal restrictions while you are employed, but no 10% federal early withdrawal tax penalty after severance from employment [except in the case of rollovers from non-457(b) plans, including IRAs].</p>
<p>Generally withdrawals made prior to severance from employment or the year you reach age 59½ can only be made due to financial hardship.</p>	<p>Generally withdrawals made prior to severance from employment or the year in which you reach age 70½ can only be made for an unforeseeable emergency.</p>
<p>A financial hardship withdrawal is considered less restrictive — while you are employed — than a 457(b) unforeseeable emergency. Examples of financial hardship include:</p> <ul style="list-style-type: none"> • Unreimbursed medical expenses • Payments to purchase a principal residence • Higher education expenses • Payments to prevent eviction or foreclosure of a mortgage 	<p>An unforeseeable emergency is more restrictive — while you are employed — than a 403(b) financial hardship. Some examples:</p> <ul style="list-style-type: none"> • A sudden and unexpected illness or accident for you or a dependent • Loss of your property due to casualty • Other similar extraordinary circumstances arising as a result of events beyond your control <p>Sending a child to college or purchasing a home, two common reasons for 403(b) hardship withdrawals, generally are not considered unforeseeable emergencies</p>
<p>Withdrawals can be subject to a 10% federal early withdrawal tax penalty prior to age 59½.</p>	<p>The 10% federal early withdrawal tax penalty, generally applicable to distributions prior to age 59½ from a 403(b) plan, does not apply to distributions from 457(b) plans except on amounts rolled into the plan from non-457(b) plans (including IRAs).</p>

Talk with your financial advisor about which might better suit your needs.

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