



Which Road Should I Take?

A Guide to Pre-Tax and Roth (After-Tax) Contributions for the Commonwealth of Virginia 457 Deferred Compensation Plan

You may make contributions on a pre-tax basis, an after-tax (Roth) basis or a combination of both, depending on what works best for your retirement planning journey.



Contribution Type	Pre-Tax	Roth (After-Tax)
You pay taxes...	When you withdraw your money (usually, when you retire).	Now, so you don't have to pay them later.
Benefits include...	<ul style="list-style-type: none">• Not having to pay taxes now.• Contributions you make lower your taxable income now.	<ul style="list-style-type: none">• Not having to worry about paying taxes later/when you retire (as long as you meet withdrawal requirements).• Paying taxes on contributions now, while you may be in a lower tax bracket than when you retire.
You may withdraw your assets (contributions plus associated earnings) if any of the following are true...	<ul style="list-style-type: none">• You terminate employment from the employer that offers the plan.• You use your plan account to purchase VRS service credit, if approved.• You qualify for an unforeseeable emergency withdrawal.• You have a low balance and inactive account (subject to IRS De Minimis withdrawal guidelines and plan requirements).• You reach age 70½, even if still employed.	
The annual limit to how much you may contribute is...	<p>Basic limit: If you're under age 50 in 2015, you may contribute up to \$18,000 per year.</p> <p>Age 50 Catch-Up: If you're age 50 or older in 2015, you also can benefit from a "catch-up" contribution limit and contribute an additional \$6,000, or a total of \$24,000 per year.</p> <p>Standard Catch-Up: If you're within three years of normal retirement age*, you may contribute whichever of these is less:</p> <ul style="list-style-type: none">• twice the annual limit (\$36,000 in 2015), or• the annual limit, plus the amount of the limit that you did not contribute in prior years (this is only allowed if you are not making age 50 or over catch-up contributions). <p><i>*Normal retirement age is elected by each participant or member and depends on your primary retirement plan. To determine your normal retirement age, please refer to the Standard Catch-up Form at www.varetire.org/457 under Forms.</i></p>	The contribution limits listed to the left apply to the combination of pre-tax and Roth contributions (see details at left).