A different way to invest in your retirement

457(b) DEFERRED COMPENSATION PLAN

Nationwide®

Your guide to Roth 457(b) contributions

You've probably heard of Roth IRAs — individual retirement accounts. If you're a public employee of a city, county, township, park board, water district or similar entity, a Roth 457(b) offers the opportunity to designate all or part of your contributions to your governmental deferred compensation plan as after-tax contributions.

When you contribute to a Roth 457(b) account, you pay taxes on the portion of your salary that goes into the plan. Withdrawals of contributions and earnings can be tax free during retirement if certain conditions are met.[1]

If you wish, you can even split your contributions between traditional pretax 457(b) contributions and Roth 457(b) contributions.

When you designate some or all of your contributions as Roth, you have the opportunity to pay taxes on your contributions now and potentially avoid taxes later.

Let's compare	Traditional pretax 457(b)	Roth after-tax 457(b)
Pretax income	$60,000	$60,000
Amount contributed	$8,000	$8,000
Tax on contribution	$0	$1,760[2]
Net income after contributions	$52,000	$50,240
Tax on the net income[2]	$4,740	$4,740
Net income after contributions and taxes	$47,260	$45,500

In the hypothetical example above, if the participant contributed on a traditional pretax basis vs. a Roth contribution of the same amount, they would have an extra $1,760 ($47,260 - $45,500) this year to invest or spend as they wish.

When the participant withdraws from the pretax account, it will be subject to ordinary income tax and will be subject to an additional 10% early withdrawal tax unless an exception applies. The participant contributing to a Roth account could receive this account's distributions tax free if the distributions meet the requirements to be considered a qualified distribution.[1]

Keep in mind that ordinary income tax rates may be significantly different from the time the contribution was made compared with the time of distribution.

[1] A qualified distribution is one which is made 5 years or more after the January 1 of the first tax year in which a Roth contribution was made, AND the distribution was made on the account after the participant's attainment of age 59½, death or disability. If the participant does not meet these requirements, the earnings portion of the distribution will be subject to ordinary income tax and will be subject to an additional 10% early withdrawal tax unless an exception applies.

[2] This scenario assumes that the participant is single, this is their only source of income, they have a top marginal rate of 22% and their standard deduction is $12,000. This example is for illustrative purposes only. Applicable tax rates can change at any time and may be significantly different when the contribution is made compared with the time of distribution.

What's the difference?

	Traditional (pretax) 457(b)	Roth 457(b)	Roth IRA
Current contribution limit[3]	Combined $22,500		$6,500
Current catch-up contribution limit[3] — for those age 50 and older	Combined $7,500		$1,000
Contributions made after tax	No	Yes	Yes
Contributions subject to ordinary income tax in year distributed	Yes	No	No
Contribution earnings subject to ordinary income tax in year distributed	Yes	No[3]	No[3]
Your income determines your contribution amount	No	No	Yes, you must have earned income; contributions may be limited based on modified gross income

[3] Contributions and earnings from a Roth are not taxable if the distribution is made five or more years after January 1st of the first year a Roth contribution was made AND the distribution is made after age 59½ or because of death or disability — or, with a Roth IRA, because of a qualified first-time home purchase.

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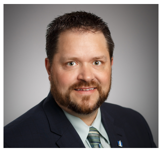
Is a Roth 457(b) right for you?

You may want to consider making Roth 457(b) contributions if you:

- Need tax-planning flexibility in retirement
- Want to take advantage of tax-free withdrawals in retirement if certain conditions are met
- Expect to be in a higher tax bracket upon retirement
- Are unable to contribute to a Roth IRA because of your income
- Are looking for an estate-planning tool to leave tax-free assets to heirs

This material is not a recommendation to buy or sell a financial product or to adopt an investment strategy. Investors should discuss their specific situation with their financial professional.

If you decide that contributing to a Roth 457(b) account makes sense for you, we're here to help.



Gregg Sperber RICP, CRC

sperbg1@nationwide.com

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