403(b) and 457(b) Plan Comparison 2018

TSA CONSULTING GROUP

Features	457(b) Governmental Plans	403(b) Plans
Contribution Limits & Coordination of Contribution limits	* $18,500 maximum contribution plus catch-up options * 457 limits no longer reduced by 403(b) contributions	* $18,500 maximum contribution plus catch-up options * 403(b) limits no longer reduced by 457 contributions[1]
Early Withdrawal Penalty Tax	None - (normal income tax only)[2]	10% early withdrawal federal penalty tax may apply for distributions prior to age 59½. Waived if age 55 and separated from service (normal income tax only)[2].
Employer Control	Employer responsible for administration	Employer responsible for administration
Eligibility Rules	No discrimination rules apply - employer defines and limits eligibility	Deferrals available to all eligible employees receiving W-2 wages.
Age 50 Catch-Up Option	$6,000 annual limit (not available if special catch-up option used)	$6,000 annual limit. Special catch-up option may also be utilized.
Special Catch-Up Option (If Permitted By Plan)	Three years prior to normal retirement age allows the lesser of: * Two times current year's normal contribution limit; or * Underutilized limits from past years with same employer.	Fifteen years of service option increases limit by the lesser of: * $3,000; * $15,000 less additional limit used in past years; or * Excess of $5,000 times years of service less past elective deferrals.
Transfer to Purchase Service Credits	Available	Available
Distribution Restrictions	Funds cannot be distributed until: * Age 70½ ; * Severance from Employment; * Disability; * Death; or * Unforeseeable emergency.	Funds cannot be distributed until: * Age 59½, * Age 55 and/or Severance from employment; * Disability; * Death; or * Financial hardship.
Portability of Plan Funds After Qualifying Event (Plan Restrictions May Apply)	Funds may be rolled over to: * Another 457(b) Governmental * 403(b)TSA * IRA (Traditional, SEP) * 401(a) Plan (Pension, Profit Sharing, 401(k), STRS)	Funds may be rolled over to: * Another 403(b) * 457(b) Governmental * IRA (Traditional, SEP) * 401(a) Plan (Pension, Profit Sharing, 401(k), STRS)
Financial Need Distribution (Hardship/Unforeseeable Emergency Withdrawals)	Contribution and earnings may be distributed to the extent required for an unforeseeable emergency (sudden and unforeseen) beyond control of participant, such as: * Medical care * Casualty loss	Contributions (but not earnings) may be distributed to extent required for a financial hardship even if foreseeable and voluntary, such as: * Medical care; * Payments needed to prevent eviction from or foreclosure on home; * Payment of tuition; or * Purchase of a home.
Loans	Permitted, with loans from all qualified plans limited to the lesser of: * $50,000; or * One half of vested benefits (or $10,000, if greater)	Permitted with loans from all qualified plans limited to the lesser of: * $50,000; or * One half of vested benefits (or $10,000, if greater)
Required Minimum Distributions	RMD rules apply at age 70½ or later, severance from service, and also after death.	RMD rules apply at age 70½ or later, severance from service, and also after death.

Figures reflect 2018 contribution limits.

[1] *Reduced by elective deferrals to 401(k) plans, SEP plans or SIMPLE plans.* [2] *Unless attributable to rollover from another type of retirement plan.*