



What does the future hold for you?

Tax-deferred plans: 457(b)

Name

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Variable annuities are long-term investments designed for retirement purposes. Early withdrawals prior to age 59½ may be subject to a 10% premature distribution penalty tax, unless an exception applies. Money taken from the annuity will be taxed as ordinary income in the year the money is distributed. Account values fluctuate with market conditions, and when surrendered the principal may be worth more or less than its original amount invested. An annuity does not provide any additional tax deferral benefit, as tax deferral is provided by the plan. Annuities may be subject to additional fees and expenses to which other tax-qualified funding vehicles may not be subject. However, an annuity does provide other features and benefits, such as lifetime income payments and death benefits, which may be valuable to you.

Variable investments, of any kind, are not guaranteed and are subject to investment risk including the possible loss of principal. The investment return and principal value of the security will fluctuate so that when redeemed, it may be worth more or less than the original investment. In addition, there is no guarantee that any variable investment option will meet its stated objective.

All guarantees are based on the financial strength and claims-paying ability of the issuing insurance company, who is solely responsible for all obligations under its policies.

Sources of retirement income for today's retirees



NEW

Will Social Security cover your retirement income needs? Probably not.

- On average, retirees receive only 40% of their pre-retirement income from SS.
- The average SS retirement benefit was only about \$1,514 a month, or \$18,170 a year.¹

Where will the rest of your retirement income come from?

It likely will come from a variety of sources depending on your personal circumstances and employment history. Sources might include:

- ✓ Social Security retirement benefits
- ✓ Defined benefit pension plan
- ✓ Defined contribution plan (e.g., 457(b), 403(b))
- ✓ IRA or other investments
- ✓ Health Savings Accounts (HSA)
- ✓ Personal savings
- ✓ Part-time employment

¹ As of June 2020, Social Security Administration - Learn About Retirement Benefits <https://www.ssa.gov/benefits/retirement/learn.html>

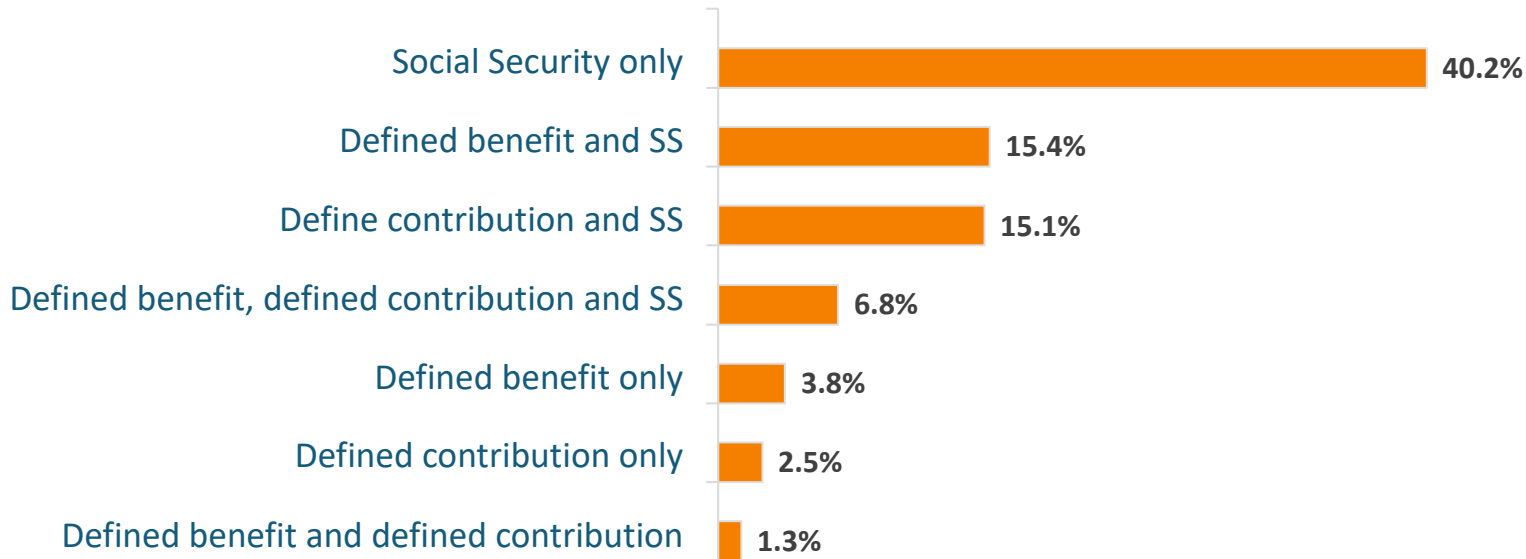
Sources of retirement income for today's retirees

NEW

Most retirees won't receive income from Social Security and a defined benefit pension plan and a defined contribution plan.

You need to plan for how you will supplement your retirement income.

Retirement Income Sources for Retirees Age 60+



Examining the Nest Egg: the Sources of Retirement Income for Older Americans, National Institute on Retirement Security, January 2020

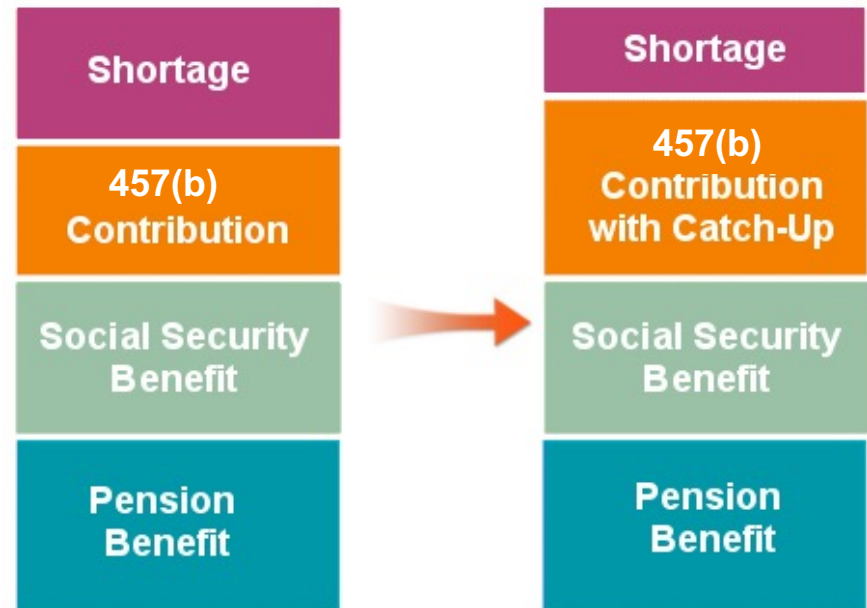
Catch-up contributions can help make up for lost time

If you are over age 50...

You can contribute an additional \$6,500 above the 2022 annual limit of \$20,500. The limit is subject to annual cost of living adjustments.

Catch-up contributions can help reduce your retirement income shortage.

Income Needs and Sources



The longer you wait, the more it may cost



Susan started saving \$100 a month at age 25. After 40 years, she saved \$191,696.

\$48,000

\$191,696



Larry started saving \$300 a month at age 45. After 20 years, he saved \$136,694.

\$72,000

\$136,694

 Total contributions  Total pre-tax savings at age 65

In this example, Larry ended up contributing 3x's **more** per month and a total of \$24,000 **more** than Susan and yet his account ended up \$55,002 **less** than hers.

Hypothetical illustration assumes each tax-deferred account earns a 6.00% annual rate of return (compounded monthly) and a retirement age of 65. Does not reflect the rate of return or incurred costs of any particular investment. Fees and charges would reduce the numbers shown. Does not reflect effect of inflation. Not intended to serve as financial advice or as a primary basis for your investment decisions. Taxes are generally due upon withdrawal. Systematic investment does not ensure a profit nor guarantee against loss. Investors should consider their financial ability to continue their purchases through periods of low price levels.

A plan that gives you a tax choice

Traditional 457(b) Option

- contributions go in pre-tax
- earnings are tax deferred
- taxes are due upon withdrawal

Roth 457(b) Option

- money goes in after-tax
- earnings are tax free
- tax-free withdrawals as long as certain qualifying conditions are met*



Combination of Both Options

*Distributions of Roth 457 (b) contributions will be tax-free for federal income tax purposes if they are 'qualified distributions' which means the funds are held for a 5 years and the distribution is due to attainment of age 59½, death, or disability.

Contribution limits are the same

For **2022**, 457(b) contributions are limited by:

The lesser of 100% of includible compensation
or
\$20,500

But there are other provisions which may help you contribute more to your existing plan...

Age 50+ catch-up

Employees age 50 and older who participate in a *governmental* 457(b) may be eligible to make additional 457(b) contributions.

For **2022**, the potential additional contribution is **\$6,500***

* Subject to annual cost of living adjustments



NOTE: The age 50+ Catch-up and the Special 457(b) Catch-up cannot be used simultaneously. You must use whichever catch-up lets you defer the greater amount.

Consider a traditional/pre-tax 457(b) if you...

- ✓ Enjoy the benefits of current tax deferral
- ✓ Need to take home as much of your pay as possible
- ✓ Expect to be in a lower tax bracket in retirement



Seek the advice of a tax attorney or tax advisor prior to making a tax-related insurance/investment decision.

Consider a Roth/after-tax 457(b) if you...



- Like the idea of possible tax-free retirement income
- Are confident of salary increases over time
- Can afford a reduction in take-home pay

Seek the advice of a tax attorney or tax advisor prior to making a tax-related insurance/investment decision.

Consider both if you...

- Aren't sure whether your taxes will be higher or lower when you retire
- Want to diversify your tax strategy
- Still want to reduce your current taxable income



Seek the advice of a tax attorney or tax advisor prior to making a tax-related insurance/investment decision.

Crunch the numbers

If you were to contribute to a traditional (pre-tax) 457(b) plan, your monthly numbers could look like this:

Gross Income	Monthly Contribution	Adjusted Gross Income	Income Taxes*	Disposable Income
\$3,000	\$100	\$2,900	\$725	\$2,175

If you were to contribute to a Roth (after-tax) 457(b) plan, your monthly numbers could look like this:

Gross Income	Income Taxes*	Subtotal	Monthly Contribution	Disposable Income
\$3,000	\$750	\$2,250	\$75	\$2,175

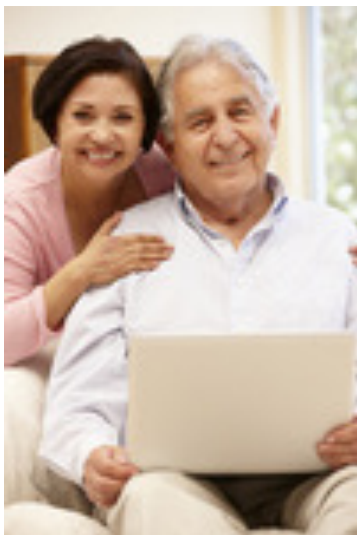
* This hypothetical illustration assumes a 25% Federal Income Tax Rate only for a single filer. Any applicable state income taxes would change the results of this illustration. You should always consult with an independent tax advisor or financial professional before making tax or investment related decisions.

Rule of thumb



Source: *Saving Fitness; A Guide to Your Money and Your Financial Future*, U.S. Department of Labor, Employee Benefits Security Administration. September 2019.

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