



You're In Charge®



## Planning ahead

Understanding your governmental 457(b) plan

Plan Participant Guide

RETIREMENT PLAN SERVICES

The Lincoln National Life Insurance Company  
Lincoln Life & Annuity Company of New York

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# It all starts with a plan

You made a smart decision when you enrolled in your employer-sponsored retirement plan. You're investing in your future, and you get the benefits of an immediate tax break and tax-deferred growth potential. We're here to help you plan ahead, with information and motivation every step of the way. Here's a helpful Q&A to get you started.

## 457(b) basics and benefits

### What's a 457(b) plan?

A 457(b) plan is a tax-deferred retirement plan designed to help you invest regularly for your retirement. It's offered to you through your employer and is available only to state or local employees and certain employees of many tax-exempt organizations. Your contributions are taken directly from your salary before taxes, and they can be invested among a selection of investment options.

### Why should I consider a 457(b) plan?

A 457(b) plan is one of the best ways to invest for your retirement. It offers a number of benefits, including:

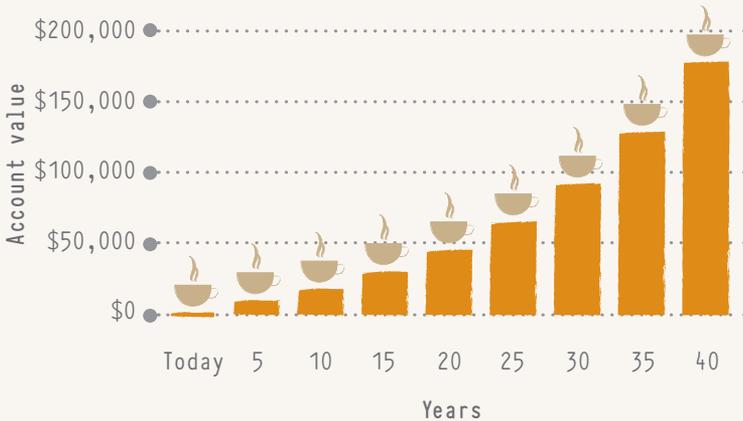
- **It's easy**—You contribute through convenient automatic payroll deductions.
- **Tax-deferred growth**—Since you don't pay income taxes on your earnings until withdrawal, more of your money is at work, providing greater growth potential.
- **Consistent savings**—Saving a set amount every payday can help you build the savings you'll need.
- **Reduced taxable income**—Your annual gross taxable income will be reduced by the contributions you make.

## A little goes a long way

Saving more in your retirement plan might be easier than you think. If you commit just \$20 every week—what you might spend on coffee or soda—to your 457(b) plan, you'll see how even small contributions add up over time.



## Spend less on coffee—save more in your retirement plan.



This graph assumes a \$20/week contribution and a 6% annual return in a tax-deferred account. This hypothetical example is not indicative of any product or performance and does not reflect any expense associated with investing. Income taxes will be due upon distribution. It is possible to lose money investing in securities.

## How do I make contributions?

It's simple. If you're eligible to participate, complete the necessary forms. The amount you choose as a deduction will be automatically withdrawn from your paycheck and contributed to your 457(b) retirement plan. Be sure to check with your employer or retirement plan representative for your specific plan enrollment requirements.

## How much should I contribute?

This depends on several factors, including how much you can afford and how long you have until retirement. Even a small amount, invested regularly, can add up to significant savings over the long term. Challenge yourself to save 2% more each year—building up to a savings rate of 12% or more. These small, gradual steps can have a big impact on your savings over time.

### Saving a little is good. Saving a little more is better.



This graph assumes a \$40,000 annual salary and a 6% annual return in a tax-deferred account. This hypothetical example is not indicative of any product or performance and does not reflect any expense associated with investing. Income taxes will be due upon distribution. It is possible to lose money investing in securities. Changes in tax rates and tax treatment of investment earnings may impact the comparative results. You should consider your personal investment horizon and income tax bracket, both current and anticipated, when making an investment decision, as these may further impact the results of the comparison.

## Are there limits to the amount I can contribute?

Federal tax law limits the amount of contributions that can be contributed annually to all 457(b) plans on your behalf, including salary deferrals and employer contributions. Visit [LincolnFinancial.com/Retirement](https://www.lincolnfinancial.com/Retirement) or [IRS.gov](https://www.irs.gov) for the latest information.

## How much can I contribute if I join the plan midyear?

If you join the plan midyear, you can make up for any missed months, as long as your total contributions don't exceed the annual limits.

## Can I change or stop my contributions?

Yes. You can change your contribution amount as permitted by the plan (e.g. each month). You can also discontinue your contributions by submitting a written request to your employer. You may start making contributions again as permitted by the plan (e.g. beginning of each month).

If you stop your contributions, there is no penalty to you. You are allowed to withdraw all the money you've contributed to the plan, plus earnings, when you retire or meet the other withdrawal conditions.

Contact your retirement plan representative for more information.

## What investment choices do I have for my 457(b) plan contributions?

There may be a variety of investment options available within your 457(b) plan. Contact your retirement plan representative for the list of your choices.

## If I contribute to a 457(b) plan, can I contribute to other retirement plans, too?

Yes, subject to certain limits. Elective deferrals and employer contributions made to all 457(b) plans are subject to an annual limit. If either you or your spouse are covered by an employer retirement plan (whether you contribute to the employer retirement plan or not), contributions made to an IRA may only be partially deductible or not deductible at all, depending on your income and your filing status.

## Will contributing to a 457(b) plan affect my Social Security benefits?

No. However, if you work for an employer who doesn't withhold Social Security taxes from your salary, such as a government agency or an employer in another country, any pension you get based on that work may reduce your Social Security benefits.

## How long can I contribute to my 457(b) plan?

You can contribute to your 457(b) plan while you're an eligible employee as defined by your plan and your employer permits salary reduction contributions.

## What do I need to know about taxes and my 457(b) contributions?

In addition to the consistent and convenient contributions your 457(b) plan allows, there are income tax benefits to investing in a 457(b) plan:

- **You harness the power of income tax deferral**

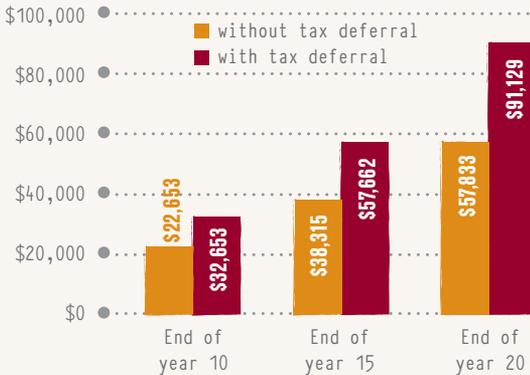
Your 457(b) plan retirement savings—both your contributions and the returns they generate—will grow tax-deferred. This means you will not pay income taxes on that money until it's withdrawn. Tax deferral may allow your money to accumulate faster than it would with taxable investments.

- **You receive an immediate income tax break**

Your organization will deduct 457(b) contributions from your salary before income taxes. This will reduce your taxable income in the current year.

Keep in mind that when you take distributions or withdraw any money from the plan, it's taxed as ordinary income. If you're in a lower tax bracket during retirement, you may pay less tax on the money withdrawn.

## The power of tax deferral



This graph is a hypothetical example. It is not indicative of any product or performance and does not reflect any expense associated with investing. It assumes \$200 monthly contributions, 6% annual return and a 25% tax bracket. Income taxes will be due upon distribution of the tax-deferred amount, and if shown, results would be lower. Changes in tax rates and tax treatment of investment earnings may impact the comparative results. You should consider your personal investment horizon and income tax bracket, both current and anticipated, when making an investment decision as these may further impact the results of the comparison. Actual investment results will fluctuate with market conditions, so the amount withdrawn may be worth more or less than the original amount invested.

## How can I access funds from my account?

There are three ways to withdraw money from your 457(b) plan:

- Prior to retirement, you can take a withdrawal, subject to certain restrictions.
- Upon retirement, you can set up regular distributions.
- Your employer may also allow you to take out a loan.

## Does the money I put into my 457(b) plan belong to me?

Yes. Though your employer handles the money, your 457(b) plan contributions are set aside in trust for the exclusive benefit of you and your beneficiaries. This ensures that your money will be there when you need it.

NOTE: This does not apply to tax-exempt organizations.

Your 457(b) plan is designed as a long-term retirement plan. Although it's best to wait until you reach retirement to withdraw funds, you may have access to your money in an emergency.

## When can I take a withdrawal from my 457(b) account?

Subject to plan terms, withdrawals can be made from your 457(b) plan for specific reasons, such as:

- Attainment of age 70½
- Separation from service with your employer
- Unforeseeable emergency
- Distributions made to your beneficiaries upon your death
- Qualified Domestic Relations Order (divorce payments to ex-spouse or children)

If you take a withdrawal for one of these reasons, you'll have to pay income taxes. In addition, the account may have withdrawal or surrender charges. Some plans may have additional withdrawal limitations.

## Once I retire, when am I required to take retirement distributions, and for how long?

The IRS requires you to begin receiving distributions no later than April 1 following the year you reach age 70½ (unless you're still working for and don't own more than 5% of the organization). Once you begin receiving required distributions, you must continue to receive them until your account value is depleted or until your death.

## How can I receive my retirement distributions?

Your retirement distributions may be paid out in a number of ways, such as:

- Lump-sum payment
- Installments
- Annuity
- Rollover
- Any combination of above

Contact your retirement plan representative for more information.

## Can I take out a loan?

Check with your employer or retirement plan representative to see if loans are available for your plan. Also check your plan rules for eligibility and other details.



## What happens to my money if I change jobs?

If you change employers, you have several options:

- In some cases, you may be able to leave your accumulated assets in your previous employer's plan, but you must direct future contributions to a retirement plan sponsored or administered by your new employer.
- You can roll over assets from your current plan to another eligible retirement plan offered by your new employer, if available, or to any other qualified retirement account, such as an IRA. No taxes will be due if the rollover is executed properly. NOTE: This does not apply to tax-exempt organizations.
- You may take a cash distribution(s). However, a cash distribution is generally subject to a 20% federal withholding and will be taxed as ordinary income for that year.

## What happens to my 457(b) account if I die?

If you die, your 457(b) plan is passed on to your beneficiary. To protect your loved ones, it's very important that you choose your beneficiary, and keep your beneficiary information up to date.

If you die prior to age 70½ and your beneficiary is your spouse, he or she may elect any distribution method that was available to you, such as:

- Roll the money over to another eligible retirement plan
- Leave the accumulated assets in the program
- Set up regular distributions

Distributions must begin to be paid to your spousal beneficiary by the later of (1) December 31st of the calendar year that follows the calendar year in which you died, or (2) December 31st of the calendar year in which you would have attained age 70½.

If you die prior to age 70½ and your beneficiary isn't a spouse, your non-spousal beneficiary has three options:

- Choose to receive a lump-sum distribution, payable within five years of your death
- Choose, within one year of your death, to receive periodic payments based upon the beneficiary's life expectancy
- Roll over account balance to an Inherited IRA

If you die after you've begun to receive distributions, your account generally must be paid out to your beneficiary "at least as rapidly," subject to a number of federal tax rules. Usually spousal beneficiaries have more distribution options than non-spousal beneficiaries. Contact your retirement plan representative for more information.

## Tomorrow's plan begins today

Investing in a 457(b) plan is an easy, convenient way to begin securing your future. Automatic salary reductions alleviate the worry of making regular contributions on your own. Plus, tax-deferred growth allows you to focus on building your financial future.

Take advantage of the opportunity today. Starting even one year earlier could help you save thousands of dollars more, compared to waiting.

### The sooner you start saving for retirement, the better.

Age	Retirement plan balance at age 65	Advantage of starting one year earlier
25	\$383,393	\$24,039
26	\$359,354	
35	\$195,851	\$13,423
36	\$182,428	
45	\$91,129	\$7,495
46	\$83,634	

This chart is a hypothetical illustration and is not indicative of any product or performance. It does not reflect any taxes due upon distribution or any fees associated with investing. Investment options are subject to market risk. It assumes \$200 monthly contributions, 6% annual return and retirement at age 65.

## With you every step of the way

From enrollment up to and through retirement, the *Lincoln InStep*® Participant Retirement Program is designed to help you with every step of retirement planning. You can also meet with a retirement professional for personal help.

## Important disclosures:

**Mutual funds and variable annuities are sold by prospectus. Investors are advised to carefully consider the investment objectives, risks, and charges and expenses of a mutual fund, and in the case of a variable annuity, the variable contract and its underlying investment options. To obtain a mutual fund or variable annuity prospectus that contains this and other information call: 800-4LINCOLN. Read the prospectus carefully before investing or sending money.**

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