

403(b) or 457(b)? You Can Use Both Plans



If you are planning to retire before age 59½, you may want to consider the benefits of investing in a 457(b) account. Investors may wish to defer a portion of their retirement savings to a 457(b) account (up to the maximum dollar amount) to take advantage of the added flexibility while deferring the remainder to their 403(b) account (up to the maximum dollar amount) which may provide greater portability and accessibility in the form of loans and hardship distributions.

How they are similar:

- » Both plans exist to let you make pre-tax deferrals to save for retirement.
- » Dollar limits – in 2026, you can defer up to \$24,500 to a 403(b) and a 457(b).
 - If you are age 50 or older you can contribute up to \$32,500 to each.
- » Both let you defer federal income taxes on the amount contributed as it is taxed at the time of withdrawal.
- » Both are subject to Social Security and Medicare taxes.

How they are different:

- » 457(b) plan distributions are not subject to the 10 percent premature distribution penalty.
 - 403(b) distributions are not subject to the 10 percent penalty **IF** you leave the school district in the year you turn age 55 or older.
 - With a 457(b), you cannot take other distributions until separated from service.
- » 403(b) accounts are generally easier to access while still employed.
 - A 403(b) may provide a hardship distribution for reasons such as college tuition or purchasing a primary residence.
 - A 457(b) plan will only provide for “unforeseeable emergencies,” which do not include college tuition or buying a home.
 - Distributions from a 403(b) may be permitted at age 59½, even if still working.

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