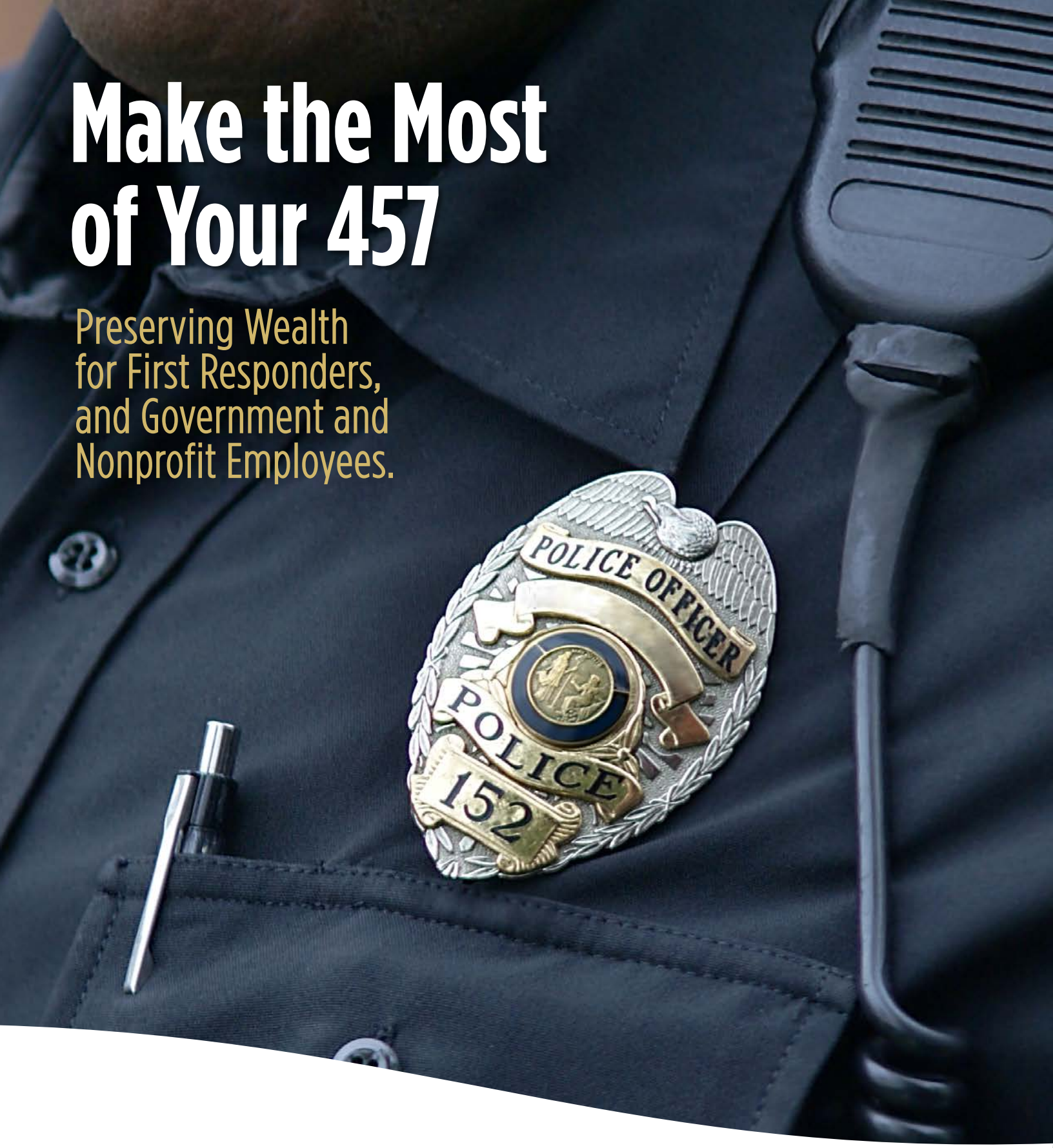
Make the Most of Your 457

Preserving Wealth for First Responders, and Government and Nonprofit Employees.



THE PACIFIC FINANCIAL GROUP

Helping protect the legacy of those who protect us.

Protecting Your Most Important Asset

With the steep rise of market volatility in recent years, it's common for public sector employees and retirees to feel a high level of stress and anxiety over your retirement security. The good news is, for those who have earned the guaranteed lifetime benefits provided by group pension plans, you are in a far better position to weather the tough economic storms that come your way.

While defined-benefit (DB) pension plans remain a cornerstone of many public sector retirement plans, they are often complex and lack transparency for many participants. It's common for retirees to worry about the long-term health of their assets. The anxiety that comes with retirement planning is, in part, a result of the perceived unpreparedness for what approaches in the years ahead.

Your financial advisor and The Pacific Financial Group are your retirement ride-along partners. We know the needs of civil servants, police personnel, and other employees of government agencies, public services, and nonprofit organizations just like you. We are here to help protect the long-term health of your retirement assets so you can reduce your stress and look forward to retirement with confidence and optimism. We have an unwavering commitment to deliver high-quality investment services that help public sector employees engage in, build, and achieve financial security and a comfortable retirement lifestyle.

What is a 457?

A 457 plan is an employee-funded savings plan for retirement. It takes its name from the section of the Internal Revenue Code that created these plans. 457 plans are also known as "qualified defined contribution" retirement plans: qualified because they meet the tax law requirements for favorable tax treatment (described below); and defined contribution because contributions are defined under the terms of the plan, while benefits will vary depending on plan balances and investment returns.

Choosing Investments

Generally, 457 plans provide you with several options in which to invest your contributions. Such options may include stocks for growth, bonds for income, or money market investments for protection of principal. This flexibility allows you to spread out your contributions, or diversify, among different types of investments, which can help keep your retirement portfolio from being overly susceptible to different events that could affect the markets.

Working with Your Financial Advisor

A 457 plan can become the cornerstone of your personal retirement savings program, providing the foundation for your future financial security. Consult with your plan administrator or financial advisor to help you determine how your employer's 457 plan could help make your financial future more secure.

457 Advantages

- Tax-deferred contributions and earnings on traditional plans.
- Tax-free withdrawals for qualified distributions from Roth-style plans.
- Choice among different asset classes and investment vehicles. Potential for employer-matching contributions.
- Ability to borrow from your plan under certain circumstances.

Matching Contributions

Besides its favorable tax treatment, one of the biggest advantages of a 457 plan is that employers may match part or all of the contributions you make to your plan. Typically, an employer will match a portion of your contributions, for example, 50% of your first 6%. Under a Roth plan, matching contributions are maintained in a separate tax-deferred account, which, like a traditional 457 plan, is taxable when withdrawn. Employer contributions may require a "vesting" period before you have full claim to the money and their investment earnings. But keep in mind that if your company matches your contributions, it's like getting extra money on top of your salary.

Tax-Deferred Compounding

The benefit of compounding reveals itself in a tax-advantaged account such as a 457 plan. For example, if your $100 monthly contribution accumulates tax-deferred over 30 years, you could grow your retirement nest egg to $150,030. That's a difference of almost $50,000 just because you didn't have to pay taxes up front.[1] Of course, you'll have to pay taxes on earnings and deductible contributions to a traditional 457 when you withdraw the money. But that will likely be when you are retired and may be in a lower tax bracket.

When You Change Jobs

When you change jobs or retire, you generally have four different options for what to do with your plan balance. You can keep the plan in your former employer's plan, if permitted; you can transfer balances to your new employer's plan; you can roll over the balance into an IRA; or you can take a cash distribution. The first three options generally entail no immediate tax consequences; however, taking a cash distribution will usually trigger 20% withholding, a 10% IRS penalty tax if taken before age 59½, and ordinary income tax on pre-tax contributions and earnings.

When deciding on which of the first three options to choose, you should consider available investment options and ease of access. Often, rolling over to an IRA provides the greatest flexibility and control, while affording a wide choice of investment alternatives.

[1]This example is hypothetical in nature and is not indicative of future performance in your retirement plan. Withdrawals prior to age 59½ are subject to a 10% IRS penalty tax.

Every Financial Journey is Unique

Pacific Financial Leads the Way in SDBA

Founded in 1984, TPFG is a dynamic WealthTech innovator that blends three decades of traditional asset management experience with leading-edge financial technology know-how, to provide products and services that empower financial freedom for advisors and their clients.

The firm focuses on the group retirement space and was an early pioneer in the evolution of **Self-Directed Brokerage Account Management (SDBA)** for 401(k), 403(b), and 457 plans. Strategy PLUS is the firms next generation investment platform that leverages the skill and expertise of world-class investment managers to create a suite of 36 model strategies built especially for retirement plan participants. A unique blend of choice, talent, and sophisticated modeling not found in traditional retirement plans.

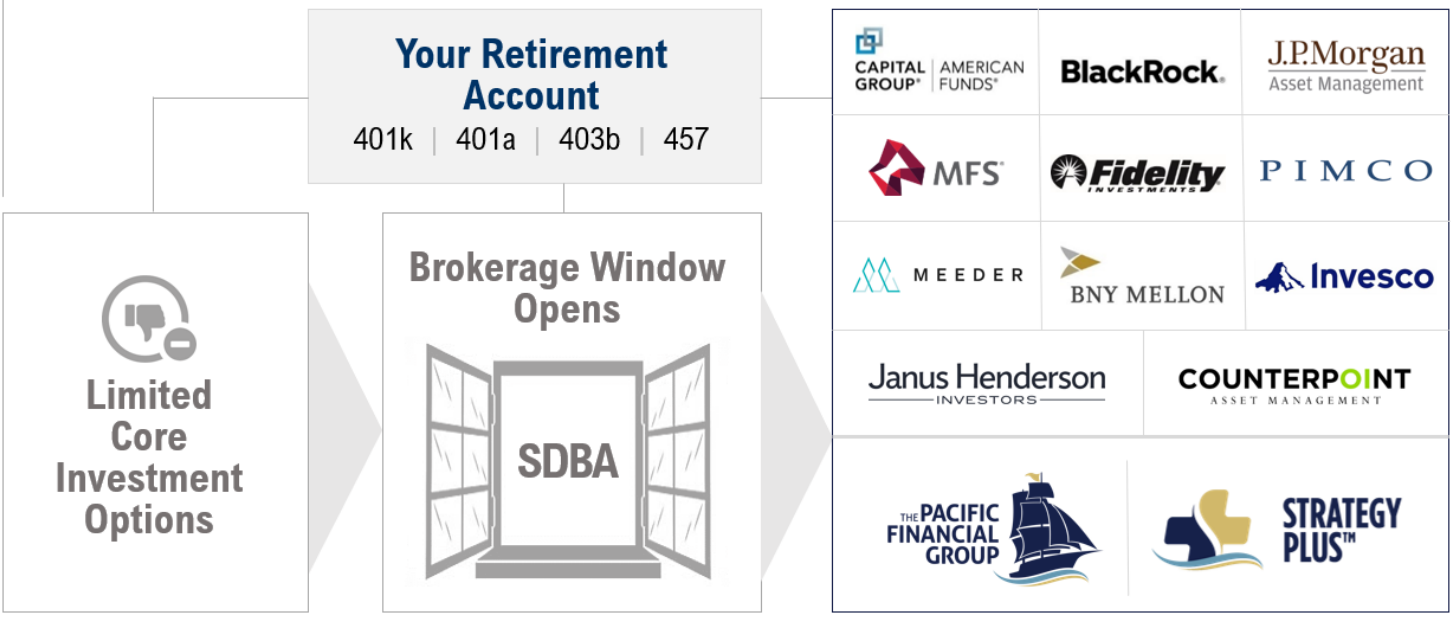
Today, TPFG has over $3 billion in assets under management and is the ONLY Turnkey Asset Management Platform designed specifically for SDBA and retirement plan participants. Over 20,000 individual investors trust TPFG with their retirement accounts, including hundreds of civil servants, police personnel, and other employees of government agencies, public services, and nonprofit organizations such as hospitals, churches, and charitable organizations.

Trust your professional financial advisor and the experts at The Pacific Financial Group with advice on your 457 retirement account.

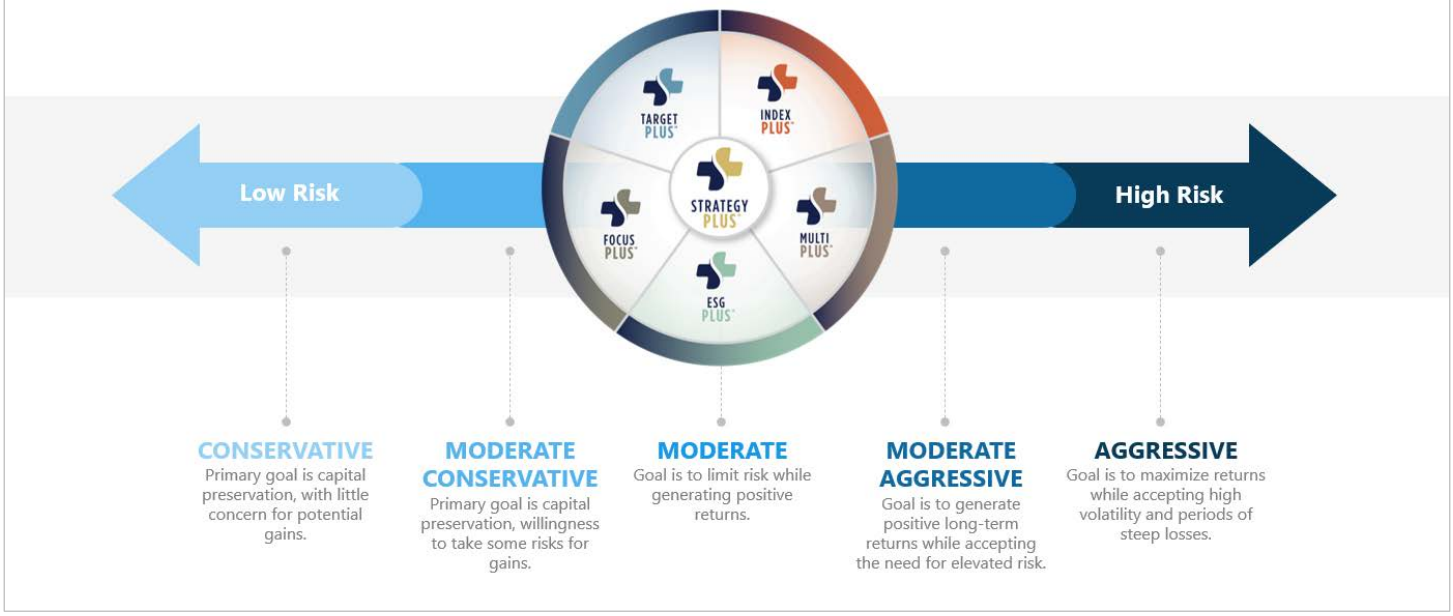
How Does SDBA Work?

For many years, the investment options offered in workplace retirement plans were limited to a pre-selected list of mutual funds and annuity contracts. Today, thousands of employers have enhanced their retirement plans to include a brokerage window opportunity so that plan participants have more choice and greater flexibility with their retirement investments. This option, known as the **Self-Directed Brokerage Account (SDBA)**, exists in 401(k), 403(b), or 457 plans where participants have access to stocks, bonds, mutual funds and ETFs. Through The Pacific Financial Group, you can access to products from the world's largest and most respected investment managers, customized to your own personal tolerance range.

Self-Directed Brokerage Account (SDBA)



Portfolios Customized to Your Risk Tolerance Level



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What to Remember

ABOUT 457 ACCOUNTS

- A traditional 457 plan allows you to defer taxes on part of your salary. A Roth 457 accepts after-tax contributions but allows for tax-free withdrawals in retirement.
- Contribution limits are $18,000 ($24,000 if age 50 or older). Future contribution limits will be indexed for inflation.
- One of the biggest advantages of 457s versus other retirement plans is that employers may match part or all of the contributions you make to your plan.
- 457 plans provide you with several options in which to invest your contributions.
- If you leave your company and take a cash distribution, taxes and penalties will likely apply.
- Some 457s allow you to borrow as much as 50% of your vested account balance, up to $50,000.

Contact Us

866-583-8734

www.tpfg.com

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