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is on your side



457(b) deferred compensation plan

**Strategies that
can help secure
your future**

The 457(b) deferred compensation plan offered by your employer can be a smart way to save money for your retirement. It makes investing easy and may help you create a more financially secure future for you and your family.

What is a 457(b) plan?

A 457(b) deferred compensation plan is a retirement plan that allows public employees like you to set aside money for retirement from every paycheck

Benefits include:

- Potentially bridges the gap between your pension/Social Security benefits and the income you'll need in retirement
- Contributions and potential earnings are tax deferred
- Designed for long-term investing

About half of households are “at risk” of not having enough to maintain their living standards in retirement.¹

¹National Retirement Risk Index (2019).
Includes health and long-term care costs.

Why contribute to deferred compensation?

For most Americans, their pension and Social Security benefits will not provide enough retirement income.

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On average, **a pension replaces about half of pre-retirement income**²

**UP TO
90%**

Most experts suggest you will need 70%-90% of current income to maintain your standard of living³

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At an average annual inflation rate of 3.10%, in 20 years you'll need \$10,000 to buy what \$5,000 buys now⁴

The deferred compensation plan also takes into account that you may retire sooner than workers in other sectors, so if you retire before age 59½, there are no additional 10% early withdrawal taxes to pay.

² “Net Pension Replacement Rates,” Organization for Economic Cooperation and Development (2021; accessed March 13, 2023).

³ “Taking the Mystery out of Retirement Planning,” U.S. Department of Labor, Employee Benefits Security Administration (November 2021).

⁴ “Long Term U.S. Inflation,” Tim McMahon, [inflationdata.com/inflation/inflation_rate/long_term_inflation.asp](https://www.inflationdata.com/inflation/inflation_rate/long_term_inflation.asp) (Dec. 15, 2020).

Benefits of a tax-deferred plan

A deferred compensation plan helps you invest more because contributions are pretax. Generally, your taxable income is reduced by the amount you defer.

Your investments also potentially grow tax deferred, meaning you don't pay taxes until you start to make withdrawals, typically in retirement.

Pretax deferrals help you save more



\$50 taxable =
\$37.50 contributed
per pay period

\$50 pretax =
\$50 contributed
per pay period

This hypothetical illustration assumes a 25% tax rate, \$50 biweekly deferrals (for 25 years), and a 7% rate of return with reinvestment of income. Totals shown are after-tax lump sums. The tax-deferred total does not reflect fees and expenses incurred under a particular investment, which would reduce the performance shown. This information is not intended to predict or project results of any investment. Investment return is not guaranteed and will vary.

A deferred compensation plan gives you options

A deferred compensation plan is flexible by design, making participation easy:

-  **You decide how much to contribute** and where to invest
-  **Contributions are deducted automatically**
-  **Many people increase contributions** annually or after receiving a raise
-  **Other retirement assets can be consolidated** into your plan
-  **Special catch-up provisions** allow people age 50 and over to save even more

How much should you contribute?

How much you save depends on your financial goals, estimated expenses and desired lifestyle in retirement. You'll also want to consider:

- Inflation
- Rising health care costs
- Longer life expectancy

The IRS sets limits on how much you can contribute every year. You'll find information on current guidelines under "Resources" at NRSforU.com.

Set goals, track progress and find ways to improve your retirement using My Interactive Retirement PlannerSM at NRSforU.com.

It takes just a few minutes to enroll.

The more time your money is invested, the more time it has to grow. So it can be smart to start investing in the deferred compensation plan now.



To enroll or learn more:

- Visit NRSforU.com
- Talk to your local Nationwide Retirement Specialist
- Call 1-855-463-4977



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