



Iowa Retirement Investors' Club (RIC) - The State of Iowa 457/401a supplemental retirement savings benefit provides an easy way for you to save a portion of current wages for future income needs. State employees working 20+ hours per week or receiving fixed annual salaries are eligible to participate.

RIC participants have two plan accounts: a 457 plan to receive employee contributions and a 401a plan to receive employer match contributions. RIC has no vesting requirements.



What is the Roth 457? The Roth 457 option allows you to save post-tax dollars and potentially accumulate tax-free investment earnings for use in retirement.

How do I contribute to the Roth 457?

Participating in RIC gives you the option to save post-tax Roth and pretax.

- **New to RIC** – Enroll in RIC (<https://das.iowa.gov/RIC/SOI/enrollment>) and elect Roth in [Workday](#).
- **Current RIC participant** – Designate your Roth payroll deduction amount in [Workday](#).

Is the Roth 457 right for me?

The answer to this question depends on whether you want to pay taxes on your savings dollars now or later. Some factors to consider include your age, years to retirement, current tax rate or need for tax relief, projected tax rate at retirement (with taxable pension and Social Security payments), possibility of fewer tax deductions in retirement, and projected investment earnings. If you are not sure how the Roth 457 option will affect your taxes and savings goals, consult a financial advisor or tax professional.

When can I take my Roth 457 money out? A distributable event* must occur to take RIC money out. There are no product restrictions or penalties. Distribution options include taking income and rolling assets to another retirement account. Assets rolled out of RIC are subject to the distribution rules of the receiving plan. You are not required to take payments until your [IRS required beginning date](#).

Are Roth distributions taxable? Distributions of Roth contributions are tax-free. Roth investment earnings are tax-free if the distribution is qualified. A Roth distribution is considered qualified (tax-free) if all three of the following requirements are met: a distributable event* has occurred, the Roth account has been held 5+ years, and you are age 59½+, disabled, or deceased.

Can I convert my pretax 457 assets to post-tax Roth? Yes, if your provider allows for in-service conversions, you have a distributable event* (some providers may allow the conversion without a distributable event) or have pretax 457 roll-in assets from an outside plan. You will be taxed on the amount you convert.

How does the Roth 457 differ from a Roth IRA? Unlike the Roth IRA you purchase at an outside financial institution, the Roth 457 offered by your employer is funded through payroll deductions only.

- The Roth IRA has income limit restrictions but the Roth 457 does not.
- The Roth 457 has considerably higher annual contribution limits than the Roth IRA (457 and IRA annual limits are separate).
- Distributions from a Roth 457 require a distributable event* but the Roth IRA does not.
- Requirements for qualified (tax-free) distribution* of Roth 457 investment earnings are the same for both the Roth IRA and Roth 457.

* Distributable events include separation from employment, attainment of age 70 ½, an approved unforeseeable emergency, an eligible cash out, or death.