SCHOOLSFIRST
RETIREMENT PLANNING

Understanding Your **457(b)**

Overview

The 457(b) is a Deferred Compensation Plan (DCP) that allows you to contribute pre-tax dollars to supplement your CalSTRS/CalPERS pension plan. On average, your pension replaces 50% to 60% of income in retirement.[1] Studies show at a minimum, you'll need approximately 85% income replacement to maintain the same standard of living in retirement.[2] A 457(b) offers school employees a way to bridge that gap while saving for retirement.

Taxes

Contributions are made to a 457(b) before taxes are taken from your paycheck, reducing your taxable income. Taxes are paid on withdrawals, typically in retirement, when you'll likely be in a lower tax bracket.

Withdrawals

You may withdraw from a 457(b) at age 59½, when you leave your employer or in the case of death, disability or unforeseeable emergency. Supporting documentation is required, and you may be subject to penalty fees. Distributed funds cannot be rolled back into the plan.

Loans

A loan may be taken against 457(b) funds while you're still employed. Repayment terms and interest rates are determined by your plan's vendor.

Contribution Limits

In 2026, you may contribute up to $24,500 to your 457(b). It's possible to contribute more than the maximum if you meet the following requirements in 2026:

- Age 50+ = an additional $8,000.
- Age 60-63 = an additional $11,250.
- Age is within three years of Normal Retirement Age (NRA)[3] = up to an additional $24,500.

The Pre-Tax Savings Advantage

Based on a school employee's annual income of $60,000:

	457(b) Contribution		
	$100/month	$300/month	$500/month
Monthly Gross Income	$5,000	$5,000	$5,000
Net Paycheck	$3,669	$3,528	$3,388
Change in Your Paycheck	$69	$210	$350

This is a hypothetical example used for illustrative purposes only and isn't indicative of any specific investment. It doesn't reflect any fees or charges that may apply.

Here To Help You

If you have questions or would like to open a 457(b) account, please contact:

Amber Gaitan

Financial Advisor

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1. California State Teachers' Retirement System Member Handbook, 2023. **2.** "How much will you spend in retirement?" Fidelity.com, 2022. **3**. Normal Retirement Age (NRA) varies by pension plan. Please check with your plan administrator to confirm your specific NRA.

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