

Understanding Retirement Plans

403(b), 457, 401(k)...

If you're having a hard time sorting out the "alphabet soup" of retirement plans, you're not alone. While most people have heard of the different kinds of retirement plans, few can tell you all the differences between them. While it's not important to be an expert, a working knowledge of different retirement plans and the advantages of each is helpful to anyone wanting to save for the future.

Individual Versus Employer-Sponsored Plans

As a rule, retirement plans fall into two general categories: individual and employer-sponsored. On the individual side are plans such as the IRA, 403(b), and 403(b)(7). Employer-sponsored plans include the 457, 401(k) and 401(a). Each plan is designed for a particular market and has its own rules. The chart below illustrates some of the differences:

Name of Plan	Purpose	Target Market	Annual Participant Salary Deferral Limit*	Annual Employer Contribution Limit*
403(b) & 403(b)(7) (TSA)	Tax-deferred savings account for retirement	Employees in public education, churches, non-profit hospitals and other qualifying non-profit organizations	\$13,000 \$3,000 catch-up provision for contributors age 50 and over	Up to 100% of eligible compensation to a maximum of \$41,000**
457	Tax-deferred savings account for retirement	Employees of government agencies (including public schools) and certain non-profit organizations	\$13,000 \$3000 catch-up provision for contributors age 50 and over (Government 457 only)	\$13,000 per participant plus catch-up contributions
IRA (Traditional and Roth)	Tax-deferred savings account for retirement	Anyone within earned income limits	\$3,000 \$3,500 for contributors age 50 and over	Not applicable
401(k)	Tax-deferred savings account for retirement	Typically employees of private for-profit businesses	\$13,000 \$3,000 catch-up provision for contributors age 50 and over	25% of eligible employee compensation
401(a)	Tax-deferred savings account for retirement	Employees of private for-profit businesses and government agencies (including public schools) and certain non-profit organizations	Not applicable	25% of eligible employee compensation to a maximum of \$41,000

* The limits presented in this chart are for your basic information only and are not intended to be comprehensive. Check with a financial counselor for more complete information.

** Not all 403(b) plans allow employer contributions

Learn More About Retirement Plans

To learn more about the different retirement plans and which ones may be right for you, call 1-800-NEA-VALU to speak with your local NEA Valuebuilder[®] Financial Counselor.