Important Information Regarding
457 Retirement Plan Distributions

When you become eligible for a full distribution you generally have these options:

- Leave your money in your employer's 457 plan
- Direct rollover to your new employer's plan or an IRA
- Take a distribution

(More detailed information is available on the back side of this page.)

The most important decision to consider is whether to leave your money growing tax-deferred for retirement or take it out and pay the income taxes now. For example, if a participant age 40 leaves a balance of $50,000 growing tax-deferred at an average of 8% per year[1] until age 65, they would have $342,424 for retirement. While you may have good intentions of investing your retirement money after taking a distribution, studies show that most people spend it.[2]

A mandatory 20% of your distribution will be withheld to satisfy federal income taxes. You may owe more or less than 20% depending on your specific tax situation. Let's take a look at the impact 25% would have on a $50,000 distribution:

Look at the impact of taxes:

Account Balance	$50,000
Federal Income Taxes (25%)	($12,500)
Potential total less taxes	**$37,500**

The table to the right points out the potential growth someone could miss out on if they choose to cash out all of their retirement plan at age 40.

Potential Growth Rates Compounded Annually

Age	Annual Growth 4%	Annual Growth 8%
40	$50,000	$50,000
50	$74,012	$107,946
65	$133,292	$342,424

FOR ILLUSTRATION PURPOSES ONLY.[1]

IMPORTANT: You should seriously consider leaving your assets in your current 457 plan. A 457 plan is arguably the premier retirement savings plan thanks to the tax laws enacted effective January 1, 2002. Your 457 plan offers:

1. No early withdrawal penalties
   457 plans are the only plans that **do not have** a 10% penalty for withdrawals prior to age 59½. However, rolling your 457 account balance to a 401(k), 403(b) or IRA, could subject those 457 funds to the 10 % early withdrawal penalty if you take a distribution from the new plan or IRA prior to age 59½.
2. Flexible withdrawals
   Generally, you may leave your 457 account balance in the plan until you turn age 70½. Withdrawals are available at any time after you leave employment and are subject to ordinary income tax.

1 For illustration purposes only, not intended to predict or project future investment results.
2 Source: Hewitt Associates 2000

(continued)

Understand the impact of your decision

Option	Tax Consequences	Pros	Cons
1 Leave your money in your employer's 457 Plan	None until distributed from the plan	■ Money continues to grow tax-deferred ■ No 10% penalty when distributed ■ You can access your account balance at any time ■ Plan may offer diverse selection of low cost investment options ■ Plan may allow for loans	■ Investment options are limited to those offered by the Plan ■ 20% federal income tax withholding applies when taking a distribution that would be eligible for rollover
2 Direct rollover to your new employer's Plan or an IRA	None until distributed from the plan	■ Money continues to grow tax-deferred ■ Plan or IRA may offer a diverse selection of low cost investment options ■ In an IRA and in most plans, you control access to your savings ■ Loans may be available from your new employer's Plan	■ 10% early withdrawal penalty applies if distributed from the plan or IRA prior to age 59½ ■ Loans are not available from IRAs
3 Take a distribution	■ Mandatory 20% federal withholding tax applies directly to distributions taken that could be eligible for rollover[3] ■ Distributions are taxed as ordinary income in the year received unless rolled into a new employer's plan or an IRA within 60 days of the distribution	■ Money less taxes will be available immediately ■ If you elect a rollover into a new employer's plan or an IRA within 60 days, see Pros and Cons above under direct rollover[4]	■ Savings is no longer growing tax-deferred ■ Mandatory 20% federal withholding tax applies directly to distributions taken that could be eligible for rollover

3 Some exceptions may apply, consult your tax advisor. Withdrawals are subject to ordinary income tax.
4 If you elect to rollover within 60 days, you will be responsible for replacing the 20% withholding.

Form# 457RPD Education (12/8/03)

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