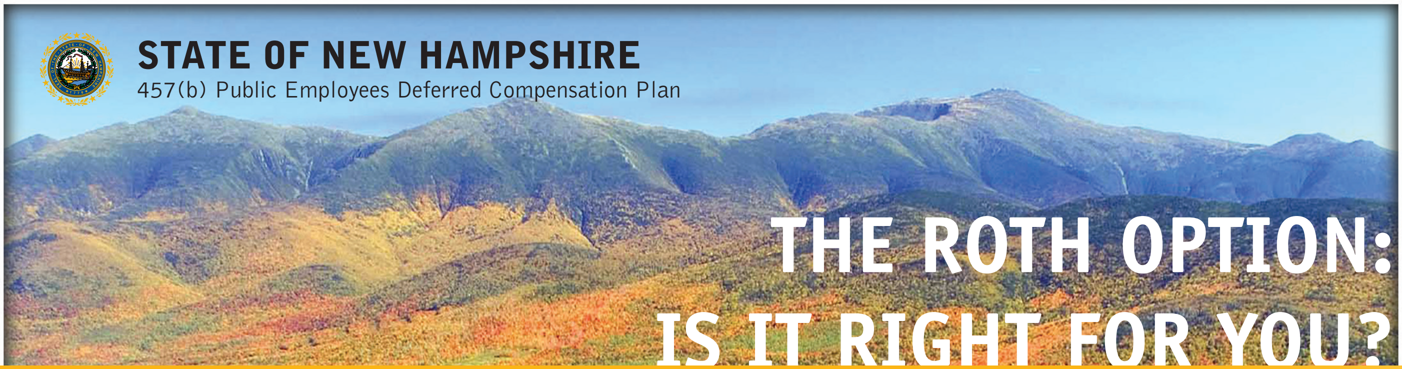

STATE OF NEW HAMPSHIRE

457(b) Public Employees Deferred Compensation Plan

THE ROTH OPTION: IS IT RIGHT FOR YOU?

The State of New Hampshire 457(b) Public Employees Deferred Compensation Plan accepts Roth 457 contributions, giving you the flexibility to designate all or a portion of your 457 elective deferrals as Roth contributions.

Both Roth 457 after-tax contributions and traditional before-tax 457 deferrals have advantages. With the Plan, you have the option to designate a portion or all of your contributions as before-tax and/or after-tax contributions. You should thoroughly review the following information and consider consulting a financial advisor prior to electing your contribution percentages.

How are Roth contributions different from traditional 457 contributions?

Roth contributions are made with after-tax dollars. Traditional 457 contributions are made on a before-tax basis and you pay taxes only when you take a distribution.

Do I pay taxes when I take a distribution from my Roth 457 account?

You will not owe any income tax if you withdraw your Roth contributions and any earnings after a five-year taxable period and meet one of the following:

- You make a withdrawal on or after the date you attain age 59½.
- Your beneficiary makes a withdrawal after your death.
- You make a withdrawal after becoming disabled.

If a distribution is made from your Roth 457 account before you reach age 59½ — and it is not due to death or disability — or before five taxable years (beginning on the first day of the tax year when you made your first Roth contribution), you generally will owe income tax on any earnings that are distributed. Otherwise, you do not owe income tax on the Roth contributions distributed from the Plan because you make contributions with after-tax dollars.

Do I pay taxes when I take a distribution from my traditional 457 account?

Withdrawals of contributions and earnings from your traditional 457 are subject to ordinary income tax.

How do Roth 457 after-tax contributions affect my take-home pay?

Roth 457 contributions reduce your take-home pay more so than traditional 457 contributions because you pay taxes on your Roth 457 contributions upfront rather than deferring those taxes until you take a distribution.

For example, let's assume you earn $40,000 annually and pay federal income tax at the marginal rate of 15%. If you make a $5,000 Roth 457 contribution, you have already paid taxes on your earned income. Assuming a 15% federal tax rate, your take-home pay is only $29,000. If you contribute $5,000 before-tax to a traditional 457 plan, you don't pay federal income tax on the $5,000 contribution. Your take-home pay is $29,750. That amounts to $750 more in take-home pay when you contribute to the traditional 457 account.

If your tax rate will increase in retirement, the Roth may be more favorable than an unmatched 457 contribution. If your tax rate will decrease in retirement, the unmatched 457 contribution may be more favorable.

	Before-tax 457	Roth after-tax 457
Annual salary	$40,000	$40,000
Minus before-Tax contributions	$5,000	$0
Taxable pay	$35,000	$40,000
Minus estimated income tax	$5,250	$6,000
Minus after-tax contributions	$0	$5,000
TAKE-HOME PAY	$29,750	$29,000

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How much can I contribute?

The maximum combined contribution limit in 2016 is $18,000. If you are age 50 or over, you can make additional catch-up contributions of $6,000. If you are in the three years prior to the year in which you attain normal retirement age under the Plan, you may be able to to take advantage of the Special Catch-Up provision and contribute up to $36,000 in 2016. The amount you are able to contribute is based on the amounts you were eligible to contribute to the Plan in previous years but did not. The Age 50+ Catch-Up provision and the Special Catch-Up provision may not be used in the same year.

Check with your education counselor at the local Empower Retirement office for personal assistance in calculating your catch-up options.

How does the Roth 457 differ from a Roth IRA?

- **Contribution limits**
  Roth IRA contributions are limited to $5,500 in 2016 (or $6,500 if you are age 50 or over) compared with $18,000 for the Roth 457 (or $24,000 if you are age 50 or over). So, you can contribute more on an after-tax basis to your Roth 457 than to a Roth IRA.
- **Eligibility**
  If you're single and your taxable compensation is $132,000 or more, or if you're married and your joint taxable compensation is $194,000 or more, you aren't eligible to contribute to a Roth IRA in 2016. The Roth 457, however, does not have an income restriction, which means you can participate in the Roth 457 Plan regardless of your income.

At-a-Glance Comparison	Before-tax 457	Roth after-tax 457
Is my contribution taxable in the year I make it?	No	Yes
Is my contribution taxed when distributed?	Yes	No
Are any earnings on my contributions taxed when distributed?	Yes	No, provided the distribution occurs after age 59½, death or disability and no earlier than five taxable years after your first Roth 457 contribution
If I change jobs, can I roll over my account?[1]	Yes, to a governmental 457 plan, traditional IRA, Roth IRA, 403(b) plan, or qualified 401(k) plan if the plan allows it	Yes, to a Roth IRA or a governmental 457(b), 401(k) or 403(b) plan if the plan has a designated Roth account and accepts Roth rollovers
What is the maximum amount I can contribute?	Combined limit for contributions in 2016: $18,000, or $24,000 including the additional $6,000 Age 50+ Catch-Up contribution; up to $36,000 in 2016 if eligible for Special Catch-Up contributions (Note: The Age 50+ Catch-Up and the Special Catch-Up provisions may not be used in the same year.)	
If I experience an unforeseeable emergency, can I make a withdrawal?	Yes	Yes
Do I have to take a minimum distribution at age 70½?	Yes	Yes

Can I roll over my account if I change employers?

Should you leave your current employer, you still have the option of rolling over your Roth 457 account to a Roth IRA or to a governmental 457(b), 401(k) or 403(b) plan that has a designated Roth account and accepts Roth rollovers. You can roll over your traditional 457 account to any eligible traditional IRA, Roth IRA, governmental 457 plan, 403(b) plan, or qualified 401(k) plan that accepts rollovers.[1]

Can I leave my money in my Roth 457 indefinitely?

You do not have to roll out or withdraw your money when you retire or leave work. However, once you reach age 70½, the government generally requires that you begin taking minimum distributions.

Making the best choice for you

You will have to determine whether contributing to the Plan on an after-tax Roth basis or a traditional before-tax basis makes more sense for your situation. The Roth 457 option essentially "locks in" today's tax rates on all contributions. For some people who expect to be in a higher tax bracket when they retire, such as young people earning less just starting out, the Roth 457 option may make the most sense. If you're one of those people, the Roth option allows you to pay taxes on your contributions when they are contributed (presumably at a lower tax rate than you would expect to pay during retirement).

If you expect to be in a lower tax bracket when you retire, you might want to consider contributing to your traditional 457 on a before-tax basis. You won't pay taxes on your contributions or on any earnings on your contributions until you take a distribution, which is usually during retirement (when many people expect their retirement earning power and tax burden to be lower than it is today).

With the Roth 457 option, you have different paths to choose from, including splitting your contributions between before-tax and after-tax deferrals.

The bottom line: PARTICIPATE!

Regardless of which type of contributions you choose, the important thing is to contribute as much as you can today for your retirement tomorrow. If after you've done your research and consulted with the experts, you decide that Roth 457 contributions are right for you, you can make the appropriate changes to your account by completing a Salary Deferral Agreement form. You can obtain one via your employer's human resources department, the Plan's website at **www.NHDCP.com** or KeyTalk® at **(877) 457-3535.**[2] If you are not currently enrolled in the Plan, you can elect to make Roth 457 contributions by completing the Plan's Enrollment form.

For more information about the Roth 457 option, please contact your education counselor at (877) 457-3535.[3]

1 You are encouraged to discuss rolling money from one account to another with your financial advisor/planner, considering any potential fees and/or limitation of investment options.

2 Access to KeyTalk and/or any website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/ maintenance or other reasons.

3 Representatives of GWFS Equities, Inc. are not registered investment advisors and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax advisor as needed.