

# State of North Carolina

## 457 Deferred Compensation Plan

### Contributing Through Two Plans Can Benefit You

Now You Can Save *More* for Tomorrow



Did you know that you can enjoy the features of a 457 Plan and continue to save and invest through your 401(k) or 403(b) Plan at the same time? This gives you a powerful opportunity to double your before-tax contributions in 2008. Consider these reasons to contribute to your 457 Plan in addition to your 401(k) or 403(b) Plan:

#### 1 Greater Retirement Savings Power

With time and the power of compounding on your side, participating in two plans can provide an incredible boost to your retirement strategy.

In 2008, if you are **under age 50**, you may contribute \$15,500 to the 457 Plan, and to either the 401(k) or 403(b) Plan, for a total of \$31,000.

In 2008, if you are **age 50 or older**, you may contribute \$20,500 the 457 Plan, and to either the 401(k) or 403(b) Plan, for a total of \$41,000.

In 2008, if you are within three years of normal retirement age and have not contributed your maximum in previous years, you may be able to utilize Standard 457 Catch-Up, which allows you to contribute up to twice the regular dollar limit into the 457 Plan—\$31,000 in 2008.<sup>1</sup>

#### 2 Valuable 457 Features

As an employee of the **State of North Carolina**, you can contribute to one of the most attractive savings and investment vehicles available today: **the 457 Plan.**

**No 10% early withdrawal penalty for 457 plans on distributions prior to age 59½. The penalty applies to IRAs and 401(a), 401(k) and 403(b) plans.**

You get the most generous contribution limits if you are within three years of normal retirement age, and under-contributed in prior years. The 457 Plan now allows for a flexible payout similar to your 401(k) or 403(b) plan.

You can contribute the maximum amount to both the 457 and 401(k) or 403(b) plans.

#### 3 Increased Tax Benefits

While tax-deferred growth is important regardless of your income tax bracket, it becomes more powerful as your marginal income tax bracket increases. Maximizing your contributions to both the 457 and 401(k) or 403(b) plans may double your tax savings each year.

#### 4 Expanded Investment Options

Having access to more investment options through both Plans allows you to stay diversified—especially during the inevitable cycles of market volatility.

#### 2008 Highlights:

	457	401(k)	403(b)
Maximum Contribution (Under Age 50)	\$15,500	\$15,500	\$15,500
Maximum Contribution (Age 50 or Older)	\$20,500	20,500	\$20,500
Standard Catch-Up Allowed (\$15,500, for a total maximum contribution of \$31,000)	Yes <sup>1</sup>	No	No
15 Years of Service Catch-Up Allowed	No	No	Yes
Potential Eligibility for Tax Credit	Yes	Yes	Yes
Roll Over to Other Eligible Plans <sup>2</sup>	Yes	Yes	Yes
Before 59½ Without 10% Early Withdrawal Penalty	Yes	No <sup>3</sup>	No <sup>3</sup>
Payout Flexibility	Yes	Yes	Yes

## Putting the Pieces Together

As you review your options and establish your long-term savings goals, look at how saving and investing through your 457 and 401(k) or 403(b) Plans simultaneously can impact your retirement planning efforts. If you have not been able to save aggressively until now, this is a savings and investment opportunity you don't want to overlook.

### For participants under age 50, consider in 2008...

You may contribute \$15,500 to each of the two plans (the 457 Plan and to either the 401(k) or 403(b) Plan), for a total of \$31,000. The hypothetical examples below show the benefit of contributing to both plans versus just one. The examples assume you make the maximum contribution during each of the next 10 years and an annual return of 6% compounded monthly.\*

#### Contributing to Just One Plan

Year	Annual Contribution	Total Contribution	Account Balance
1	\$15,500	\$15,500	\$ 15,999
3	15,500 <sup>4</sup>	46,500	50,935
5	15,500 <sup>4</sup>	77,500	90,189
7	15,000 <sup>4</sup>	108,500	134,295
10	15,500 <sup>4</sup>	155,000	210,883

#### Contributing to a 457 and a 401(k) or 403(b) Plan

Year	Annual Contribution	Total Contribution	Account Balance
1	\$ 31,000	\$ 31,000	\$ 31,998
3	31,000 <sup>4</sup>	93,000	101,870
5	31,000 <sup>4</sup>	155,000	180,378
7	31,000 <sup>4</sup>	217,000	268,590
10	31,000 <sup>4</sup>	310,000	421,766

\* For illustrative purposes only. Not intended to predict or project future investment results and does not represent the performance of any investment option. Assumes an annual return of 6% compounded monthly, and does not reflect any withdrawals, charges, expenses or fees that may be associated with your plan. The tax-deferred accumulation shown would be reduced if these fees had been deducted.

## Don't Delay . . . Contribute More Today!

For individual appointments or group meetings,  
call your Great-West Retirement Services<sup>®</sup> representative,  
**Jeff Harless, at (888) 600-2763 x77963**  
to enroll in your State of North Carolina Deferred Compensation Plan.

<sup>1</sup> You may not use both Standard 457 Catch-Up and Age 50+ Catch-Up in the same year. If you need help calculating your maximum contribution limit, please contact your local registered representative.

<sup>2</sup> If new plan accepts rollovers.

<sup>3</sup> Some exceptions may apply, but typically there is a 10% federal penalty on distributions taken prior to age 59½. Withdrawals from all plans are subject to ordinary income taxes. The 10% early withdrawal penalty does not apply to 457 plan withdrawals.

<sup>4</sup> Indexed for inflation in no less than \$500 increments in future years. Limit in these years may be higher.



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