

Get answers to your common questions

Q | What is a nonqualified 457(b) plan?

A | A retirement plan designed to help highly compensated employees make tax-deferred contributions.

Q | Can I contribute to both the nonqualified 457(b) and my qualified plan?

A | Yes, you are allowed to contribute up to the maximum annual amount allowed in each plan.

Q | What is the maximum I can contribute to the 457(b) plan?

A | The 2024 limit is \$23,000. The maximum amount you can contribute is determined annually and follows the IRS 402(g) limit. If you qualify for catchup contributions, the limit can be higher depending on age and plan details.

Q | How do I sign up for the plan?

A | Once your employer notifies Principal of your eligibility, you can complete your enrollment at principal.com.

Q | Can I change my deferral elections? If so, how often?

A | Yes, you can change your election on a monthly basis, if you'd like. Contribution changes go into effect the first day of the following month. For example, any changes or new elections for payroll deferrals you make in January become effective February 1.

Q | Can I stop deferring contributions at any time?

A | Yes, you may elect to lower your employee deferral to zero percent at any time. Keep in mind that the change becomes effective the first of the month after the election is made.

Q | How often can I make changes to my reference investment elections?

A | You can make changes on a daily basis to your reference investment options. Those changes will trade on a daily basis to mirror the market. However, certain reference investment options may have restrictions regarding timing and frequency of trading.

Q | Can I take a loan from my plan account?

A | No, unlike a qualified plan, loans are not allowed with deferred compensation plans.

Q | Can I roll my account balance over to my IRA or 401(k) plan?

A | No, unlike a qualified plan, rollovers are not allowed with deferred compensation plans. However, you may transfer 457(b) plan assets from another employer into your current plan if both plans allow transfers.

Q | When will I receive my distribution?

A | Upon enrolling in the plan, you will make an election to have your account balance distributed upon death, disability, or separation from service. Your plan defines the distribution options available to you. These options are generally a single lump sum or limited duration annual installments. Payments generally begin within 60 days following the distributable event.

Q | Do I have to receive my distribution when I leave my employer or can I leave the money in the plan?

A | Generally you will receive your distribution(s) within 60 days after leaving your employer. If you would like to defer your distribution to a later date, and your plan allows it, you will need to provide written notice to your employer. Please contact your employer with additional questions or to discuss distribution options.

Q | For how long can I delay my distribution after I leave my employer?

A | Your distribution may be delayed no later than April 1 of the year after the year you turn 73, when the plan will begin to pay you annually as a minimum required distribution. Please contact your employer with additional questions.

Q | Can I change my distribution election?

A | Yes, you are allowed to change your distribution election (lump-sum payment or installments) at any time. You may change the form of the payment up until the date distributions begin.

Q | Can I take my money out of the plan prior to when I leave my employer?

A | Depending on your specific plan, you may be able to access the funds for an unforeseeable emergency prior to a distribution event. Consult your plan sponsor for availability and requirements.

Q | Is there a penalty for early withdrawal plan?

A | No, there is no 10 percent penalty for receiving a distribution prior to age 59½. Distributions will be treated as supplemental wages and added to your other income received during the tax year.

Q | What taxes will I owe when the account is distributed?

A | The full distribution will be subject to income taxes. Generally, it will be paid as supplemental wages and taxed accordingly. Depending on the distribution amount and other income, the taxes may vary. Contact your plan sponsor or tax advisor for specific details regarding the taxation.

Q | Can I make catch-up contributions to the 457(b) plan?

A | Yes, the nonqualified 457(b) plan has a special 457(b) catch-up provision, allowing you to potentially make additional catch-up contributions during the three years prior to the plan's normal retirement age. This allows you to make additional contributions to make up for prior years when you did not reach the maximum contribution amount. Unlike qualified plans and governmental 457(b) plans, it is not based on the age 50 catch-up or a preset amount. Contact your employer for additional details and eligibility.

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