

## 403(b) + 457(b) = The Right Equation for Your Retirement Strategy?

Public education employees can participate in both a 403(b) tax-deferred program and a 457(b) deferred compensation plan at the same time, which allows you to save more money on a tax-deferred basis for retirement.

So you may be wondering – what's the difference between 403(b) and 457(b) plans, besides a couple of numbers in their names? Is one plan "better" than the other? If your employer offers both types of plans, should you consider participating in one or both for your retirement?

The answer is, there is no single "right answer" when it comes to deciding on a retirement plan. It all depends on your specific career and retirement goals. And it's important to do your homework, talk with your financial or tax advisor, and examine the features of each plan before making a decision whether to participate in one or both plans.

Here, we present some situations common to educators, and in the following pages outline how the 403(b) and 457(b) plans could work in those scenarios. Your ING representative can provide more detailed information and help answer any questions you might have about the plans, and the ING products available. Keep in mind, this brochure is not a comprehensive description of the plans' features.

*This information is provided by ING for your education only. Neither ING nor its representatives offer tax or legal advice. Please consult your tax or legal advisor before making a tax-related investment/insurance decision.*

Putting the 403(b) and the 457(b) plans to your test

1. Are you just starting out in your teaching career?  
If you answered "yes," please refer to Situation A on page 2.
2. Can you only afford to participate in one retirement plan?  
If you answered "yes," please refer to Situation A on page 2.
3. Will you be going back to school to pursue an advanced degree?  
If you answered "yes," please refer to Situation B on page 2.
4. Are you almost ready to retire?  
If you answered "yes," please refer to Situation C on page 3.
5. Do you have a dual income family and want to set aside as much money as possible?  
If you answered "yes," please refer to Situation D on page 3.

### Important Notes

These materials are not intended to be used to avoid tax penalties, and were prepared to support the promotion or marketing of the matter addressed in this document. The taxpayer should seek advice from an independent tax advisor.

*You should consider the investment objectives, risks, and charges and expenses of the variable product and its underlying fund options, or mutual funds offered through a retirement plan, carefully before investing. The prospectuses/prospectus summaries/information booklets contain this and other information, and can be obtained by contacting your local representative. Please read the prospectuses carefully before investing.*

## 403(b) + 457(b) = THE RIGHT EQUATION FOR YOUR RETIREMENT STRATEGY?

### What is a 403(b) "Hardship Withdrawal"?

#### Hardship means:

1. An immediate and heavy financial need. This determination is based on facts and circumstances. Events which are deemed to satisfy this requirement include:
  - Medical expenses incurred by the participant, spouse, or dependent; or
  - Purchase of participant's primary residence; or
  - Payment of the next twelve (12) months of post-secondary tuition and related educational fees for the participant, spouse, or dependent; or
  - Prevention of eviction or foreclosure on the participant's primary residence.
2. The distribution must be necessary to satisfy the financial need, i.e.:
  - The requested hardship withdrawal does not exceed the amount necessary to satisfy the need; and
  - The need cannot reasonably be satisfied through other resources, such as insurance reimbursement, liquidation of assets, cessation of elective contributions under the plan or loans from the plan; or from commercial sources.

### What is a 457(b) "Unforeseeable Emergency"?

#### Unforeseeable Emergency means:

1. A severe financial hardship resulting from:
  - Illness or accident of participant, beneficiary, spouse, or dependent; or
  - Loss of property due to casualty; or
  - Other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of participant or beneficiary; and
2. The emergency can't be relieved through other sources, unless using other sources would cause a severe financial hardship; and
3. The amount is limited to that which is reasonably necessary to satisfy the emergency.

Note: The determination of Unforeseeable Emergency is stringent and restrictive. The IRS has declined to provide a listing of events which are deemed to satisfy the above requirements.

### Situation A: New Teacher

Are you a new teacher just starting out on your career? Are you beginning to work your way up the pay scale and perhaps are unable to participate in both the 403(b) and 457(b) plans? While there are many factors to consider, perhaps having access to your monies when in need, either through a loan or a withdrawal, may be your main consideration.

403(b) Tax-Deferred Program	457(b) Deferred Compensation Plan
<ul style="list-style-type: none"> <li>• Up to \$15,000 in employee deferrals in 2006</li> <li>• Loans available, if contract permits</li> <li>• Withdrawals permitted due to Hardship, typically based upon participant certification*</li> </ul>	<ul style="list-style-type: none"> <li>• Up to \$15,000 total in employer and employee contributions in 2006</li> <li>• Loans available, if plan permits</li> <li>• Withdrawals due to Unforeseeable Emergency – provided that very stringent criteria are satisfied and employer approves**</li> </ul>
<ul style="list-style-type: none"> <li>• In-service withdrawals may be permitted if you are at least age 59½ or if your 403(b) account annuity contains deferrals made prior to 1989.*</li> </ul>	<ul style="list-style-type: none"> <li>• To the extent provided in the plan, in-service withdrawals may be permitted if your account value is \$5,000 or less (provided certain requirements are met) or at age 70½.**</li> </ul>
<p>* Keep in mind that in-service withdrawals are subject to an IRS 10% premature distribution penalty tax unless an exemption applies.</p>	<p>** An IRS 10% premature distribution penalty tax does not apply to withdrawals, other than withdrawals from a non-457 rollover account.</p>

### Situation B: Career Advancement

Are you going back to school to obtain an advanced degree, while continuing to work? With a 403(b), you may be able to take a hardship withdrawal to pay educational expenses, plus take out a loan if needed. If you also have a 457(b), you may also be able to take advantage of that loan feature as well.

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<p>* Keep in mind that in-service withdrawals are subject to an IRS 10% premature distribution penalty tax unless an exemption applies.</p>	<p>** An IRS 10% premature distribution penalty tax does not apply to withdrawals, other than withdrawals from a non-457 rollover account.</p>

### Situation C: Ready to Retire

If retirement is just around the corner, you may be wishing you could turn back the clock and put aside more money for your golden years. With both the 403(b) and the 457(b), you can! There are several "catch-up" provisions available under each of the plans to help make up for lost time and add to your accumulated savings. In addition, your employer may be able to make contributions of accumulated sick and/or vacation pay.

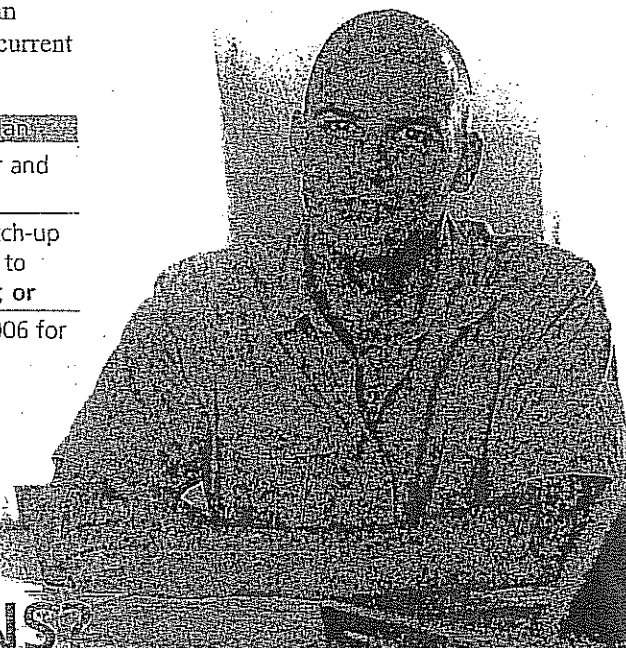
403(b) Tax-Deferred Program	457(b) Deferred Compensation Plan
<ul style="list-style-type: none"><li>• Up to an additional \$3,000 deferral for certain long-term employees; and</li></ul>	<ul style="list-style-type: none"><li>• Up to an additional \$15,000 catch-up in 2006 for three (3) years prior to reaching normal retirement age; or</li></ul>
<ul style="list-style-type: none"><li>• Additional \$5,000 deferral in 2006 for employees age 50+;</li></ul>	<ul style="list-style-type: none"><li>• Additional \$5,000 deferral in 2006 for employees age 50+;</li></ul>
<ul style="list-style-type: none"><li>• Post-retirement employer contributions permitted.</li></ul>	<ul style="list-style-type: none"><li>• Post-retirement employer contributions not permitted.</li></ul>

### Situation D: Dual Income

Are you a member of a dual income family and wish to maximize both your current tax deferral and retirement accumulation? Then perhaps you should consider participating in both the 403(b) and 457(b). With both the 403(b) and the 457(b) plans, you can potentially contribute on an elective basis up to \$53,000 in 2006, thus deferring current federal taxation and accelerating your retirement nest egg.

403(b) Tax-Deferred Program	457(b) Deferred Compensation Plan
<ul style="list-style-type: none"><li>• Up to \$15,000 in employee deferrals in 2006</li></ul>	<ul style="list-style-type: none"><li>• Up to \$15,000 total in employer and employee contributions in 2006</li></ul>
<ul style="list-style-type: none"><li>• Up to an additional \$3,000 deferral for certain long-term employees; and</li></ul>	<ul style="list-style-type: none"><li>• Up to an additional \$15,000 catch-up in 2006 for three (3) years prior to reaching normal retirement age; or</li></ul>
<ul style="list-style-type: none"><li>• Additional \$5,000 deferral in 2006 for employees age 50+.</li></ul>	<ul style="list-style-type: none"><li>• Additional \$5,000 deferral in 2006 for employees age 50+.</li></ul>

These are just a few examples of situations to consider when deciding whether to contribute to a 403(b) tax-deferred program or a 457(b) deferred compensation plan, or both. As always, your ING representative is available to help answer any questions you might have regarding these types of retirement plans.



## WHAT IS THE EMPLOYER'S ROLE WITH THESE PLANS?

### 403(b) Tax-Deferred Program

- Generally, employer involvement very limited
- Withdrawal direction from the participant
- Employee ownership of participant account
- Participant control of interfund transfers among investment options available under the 403(b) program and, with most employers, to appropriate 403(b) options outside the program
- Employer (plan sponsor) cannot move existing plan assets to another vendor

### 457(b) Deferred Compensation Plan

- Employer involvement required
- Withdrawal direction from the employer only
- Employer ownership of participant account
- To extent permitted under the plan, participant control of interfund transfers among investment options available under the 457(b) plan
- Employer (plan sponsor) can move plan assets to different plan provider/fund option

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www.ingretirementplans.com  
www.ing.com/us/tsa

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**PARTICIPATION AGREEMENT FOR SOUTHTON BOARD OF EDUCATION  
SECTION 457 DEFERRED COMPENSATION PLAN**

NEW PARTICIPANT     CHANGE IN DEFERRED AMOUNT     STOP DEFERRALS

NAME (PRINT LAST, FIRST, MI)	SOCIAL SECURITY NO.	DATE OF BIRTH / /	SEX M/F
STREET ADDRESS	CITY	STATE	ZIP CODE
DEPARTMENT	WORK TELEPHONE	HOME TELEPHONE	

**CONTRIBUTION AMOUNT**

Beginning on \_\_\_\_\_, I wish to participate in the Southington Board of Education Deferred Compensation Plan. I hereby agree to defer compensation each pay period in the amount designated below:

\$ \_\_\_\_\_

**INVESTMENT SELECTION**

The compensation deferred is to be directed to the investment provider indicated below, and invested in accordance with my investment designation with that provider (Select one).

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**BENEFICIARY**     Initial Designation     Change of Designation

I wish to designate the following beneficiary (ies) to receive benefits in the event of my death. I understand that each beneficiary eligible to receive benefits will receive an equal share of benefits under the Plan unless otherwise indicated.

*Primary Beneficiary* (name(s), relationship, address):

\_\_\_\_\_

*Contingent Beneficiary* (name(s), relationship, address):

\_\_\_\_\_

**CATCH-UP ELECTION (Select one only)**

A.     Three Years Prior to Normal Retirement Age

For purposes of using the catch up provision available for participants for the three years prior to the year of attainment of normal retirement age, I hereby elect a normal retirement age of \_\_\_\_\_ and elect to use catch up for the calendar year periods beginning January \_\_\_\_ and ending December \_\_\_\_\_. I understand that this catch-up election may be made only one time and that this catch-up is only available to the extent of any underutilized prior year deferrals.

B.     Attainment of Age 50

I have attained or will attain age 50 this year. I elect to use the catch-up provision available for participants age 50 and older.

**REQUIRED SIGNATURES**

I have read and acknowledge the above provisions and those contained on attachment to this Agreement. I understand that my elections above will remain effective until later changed or revoked.

\_\_\_\_\_  
*Participant Signature*

\_\_\_\_\_  
*Date*

**EMPLOYER USE ONLY**

Received by: \_\_\_\_\_

Date: \_\_\_\_\_

Date of first deduction: \_\_\_\_\_