

Roth 401(k)

Your retirement plan offers another tax-advantaged savings option: Roth 401(k).



Roth 401(k) combines the features of a traditional 401(k) with those of a Roth IRA.

Like a traditional 401(k) Plan account, a Roth 401(k) Plan account offers the convenience of contributing through automatic payroll deductions. Like a Roth IRA, contributions are made on an after-tax basis, and withdrawals taken after age 59½ are tax-free and penalty-free provided the account has been maintained for at least five years.¹ You can designate all or part of your elective deferrals to be Roth 401(k) contributions.

Make the most of your contributions

You can choose to contribute to your retirement plan with before-tax contributions and/or Roth 401(k) contributions (up to IRS maximums). The chart below outlines the differences between the two types of contributions.

BEFORE-TAX VS. ROTH 401(K)

	Before-tax	Roth 401(k)
Contributions	Made before taxes are deducted from your paycheck.	Made after taxes are deducted from your paycheck.
Contribution Limits	Plan maximums and IRS limits apply to combined pre-tax and Roth 401(k) contributions.	Plan maximums and IRS limits apply to combined pre-tax and Roth 401(k) contributions.
Vesting	Your contributions are always 100% vested.	Your contributions are always 100% vested.
Account Growth (Earnings)	Tax-deferred until distribution.	Tax-free at distribution (if the distribution is qualified). ¹
Federal Tax Implications	Reduces your current taxable income by amount of contribution. Taxes are paid at withdrawal on both contributions and earnings.	Contributions are taxable in the current year. No taxes are paid on qualified distributions. ¹
Rollovers	You can roll over into a traditional IRA or a retirement plan that accepts 401(k) rollovers. You can also convert a traditional IRA into a Roth IRA.	You can roll over into a Roth IRA or eligible retirement plan that accepts Roth 401(k) rollovers. ²

¹ A qualified distribution is a distribution from your Roth 401(k) Account that occurs at least 5 years after you made your first Roth 401(k) contribution to the plan, AND after you attain at least age 59½ (or upon your disability or death).

² Any amounts distributed from a Roth 401(k) for rollover to another Roth 401(k) must be rolled over via direct (trustee-to-trustee) transfer to be excludable from income.

Other considerations

You may want to consider the following before you decide:

- Though future tax rates are difficult to predict, you may benefit from making Roth 401(k) contributions if you anticipate being in a higher tax bracket during retirement. Roth 401(k) contributions may be advantageous if you think you might face higher taxes in retirement as a result of not having deductions for dependents, mortgage interest or other deductions.
- You may benefit from tax-free growth over a longer period of time if you remain invested in your Roth 401(k) account. However, if you plan to retire in five years or less, a shorter-term time horizon may limit the amount of your tax-free withdrawals.

The Roth 401(k) feature may be worth considering if:

You believe your federal income tax rate will be higher when you retire.

You expect to invest for many years and potentially reach a higher tax bracket later.

You want to diversify your retirement income strategy.



Unlock the potential of your 401(k)

For more information about Roth 401(k) and to take advantage of the tools and resources available in your retirement plan go to <https://bit.ly/Achieve401kResources> or scan the QR code from your camera or QR code reader.



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