



Getting to know your Roth options

Key takeaways

- › Ways to save in your plan
- › Benefits and considerations
- › Roth 401(k) vs. Roth IRA
- › How your plan can help



Ways to save in your plan



The different ways to add to your account

One account, many ways to help it grow



Pretax



Roth



Matching contributions



Rollover

As with any financial decision, you are encouraged to discuss moving money between accounts, including rollovers, with a financial advisor and to consider costs, risks, investment options and limitations prior to investing.

How pretax contributions work

On the plus side

- ▶ Your money can grow tax-deferred.
- ▶ You may lower your tax-able income.
- ▶ You may pay lower taxes later.



How Roth contributions work

On the plus side

- › Taxes on current income
- › Tax-free earnings for qualified withdrawals
- › The five-year and age 59½ rule
- › Option to defer required minimum distributions



A side-by-side comparison

	Pretax paycheck contributions	Roth paycheck contributions
Effect of contributions on paycheck	Prior to tax withholding	After taxes withheld
Taxation on distributions	Contributions taxed as ordinary income	Contributions are not taxed with qualified withdrawals*
	Any earnings taxed as ordinary income	Any earnings not taxable with qualified withdrawals*

Note: When choosing between contribution types, participants must take into consideration their complete personal financial situation.

*If distribution is not qualified then the earnings are taxed as ordinary income and may be subject to early withdrawal penalties. The 10% federal early Withdrawal penalty does not apply to 457 plan withdrawals except for withdrawals attributable to rollovers from another type of plan or account.



Benefits and
considerations



How pretax and Roth contributions may affect your paycheck

Salary: \$2,500 a month (before taxes are taken out)

Savings rate: 6% of gross salary

Paycheck if you save pretax	Paycheck if you save with Roth	The difference
\$ 1,998	\$ 1,975	\$23

Assumes a \$30,000 annual salary and a 15% federal, state and local tax rate. For illustrative purposes only. Taxes on savings are deferred until withdrawal. Pretax deferrals do not lower your income for FICA and FUTA tax-withholding purposes.

This material has been prepared for informational and educational purposes only. It is not intended to provide, and should not be relied upon for, investment, accounting, legal or tax advice.

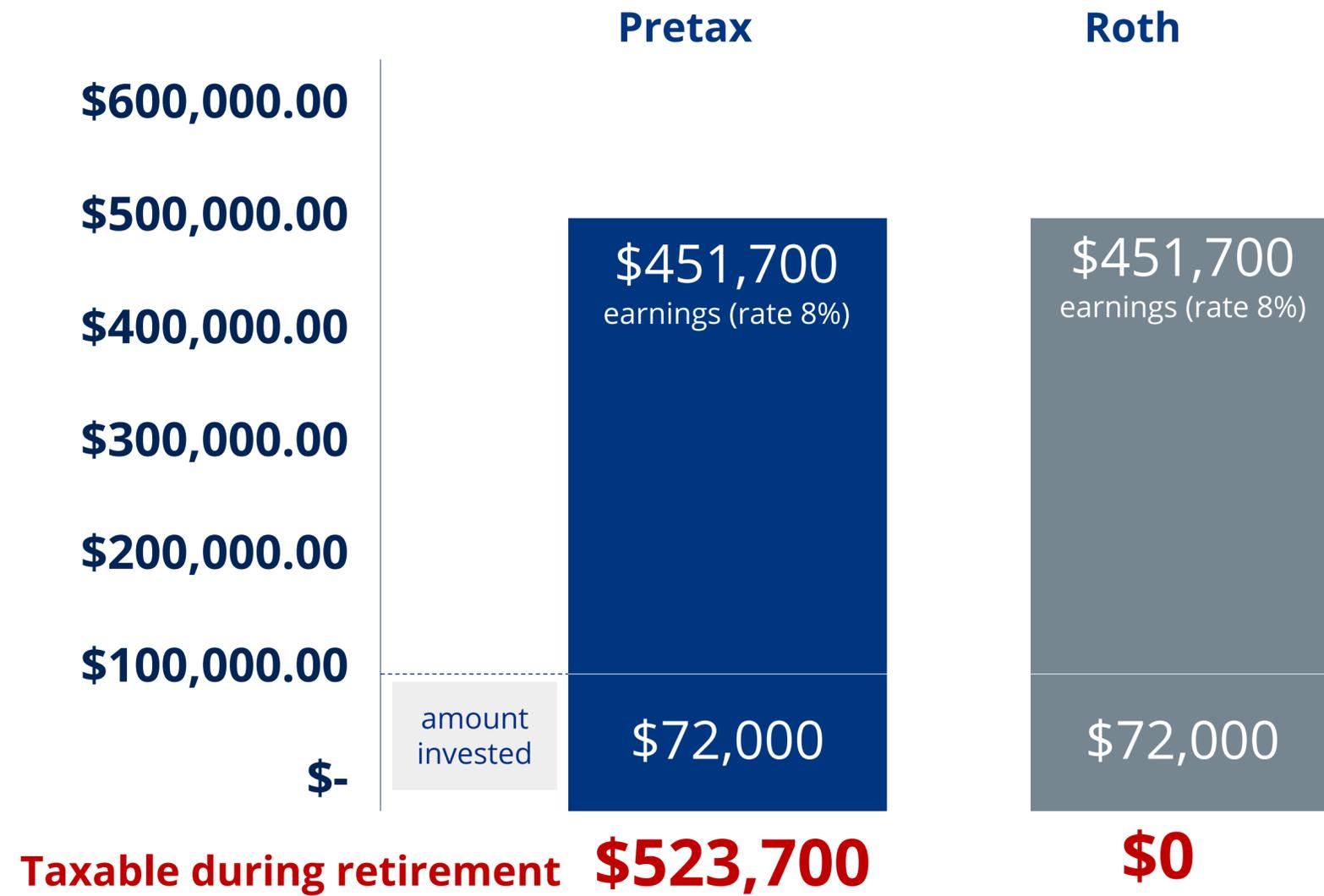
Understanding the value of compounding and taxation

Chris

Years of saving: 40

Monthly contributions: \$150

Annual rate of return: 8%



FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration is not intended as a projection or prediction of future investment results, nor is it intended as financial planning or investment advice. It assumes a 8% annual rate of return and reinvestment of earnings with no withdrawals. Rates of return may vary. The illustration does not reflect any associated changes, expenses or fees. The tax-deferred accumulation shown would be reduced if these fees had been deducted.



Would you rather have more money now or later?

- ▶ It may cost you more on the front end to invest with Roth.
- ▶ Your contributions may become more valuable later because they have already been taxed.

Would you rather be taxed now or later?

- ▶ If you expect your tax rate to be higher in retirement, after-tax contributions may be right for you.
- ▶ You won't have to pay taxes at the higher rate when you take your qualified distributions.





Experience the best of both worlds

Roth strategies to think about

- ▶ Ease into the bigger tax bite by splitting contributions to start.
- ▶ Any matching contributions must go into a pretax account.
- ▶ Contributing both ways enables tax diversification in retirement.

Consult your tax advisor for advice on your personal situation

Roth 401(k) vs.
Roth IRA



A closer look at Roth IRAs

IRAs are individual accounts, not associated with your employer plan

Roth IRA eligibility is based on income level:

Single: Modified adjusted gross income (MAGI) must be under \$137,000

Married filing jointly: MAGI must be under \$203,000

Contribution limit

Under age 50: \$6,000

50 and older: \$7,000

Roth IRAs are not subject to required minimum distributions



The rules of rolling over

Roth can roll over to another Roth account or Roth IRA

Roth IRAs cannot be rolled into your plan

As with any financial decision, you are encouraged to discuss moving money between accounts, including rollovers, with a financial advisor and to consider costs, risks, investment options and limitations prior to investing.



Our goal is to help
you reach yours



NEXT STEPS

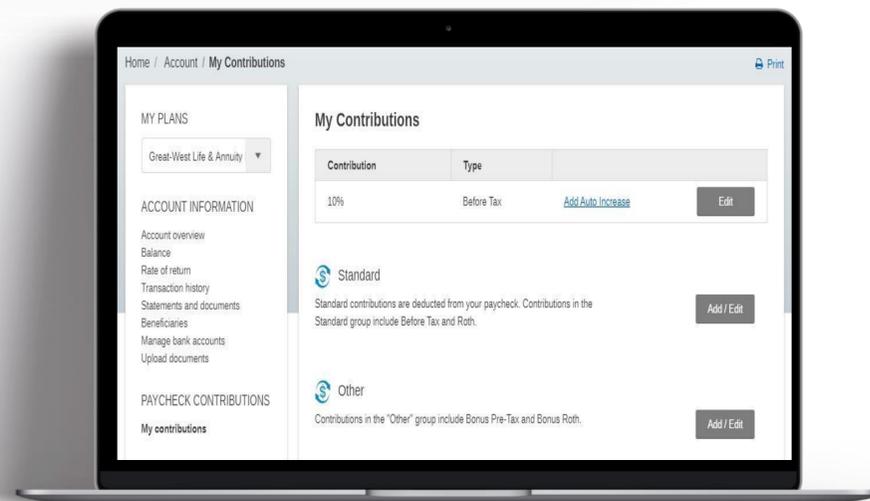
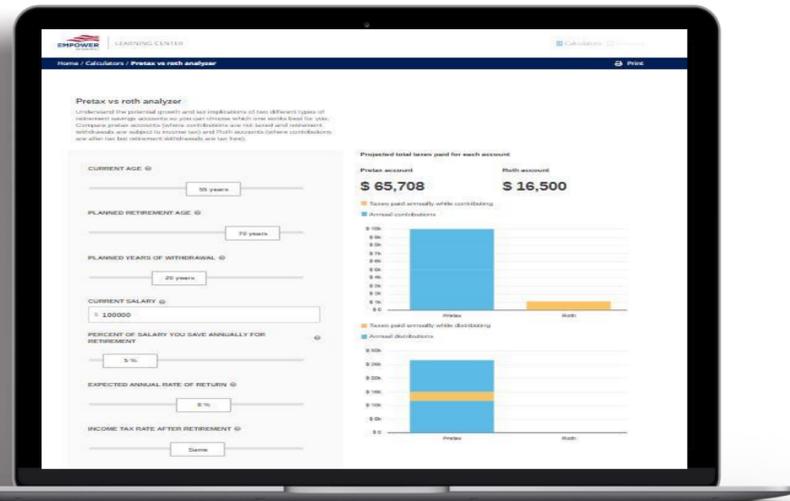
Go online to stay on top of your retirement

See how pretax and Roth contributions may work for you at the Learning Center

Add a Roth contribution

Log in to your account and select *My Contributions* under the *Account* tab to:

- > View your contribution rate and type.
- > Select *Add/Edit* under *Other*.



FOR ILLUSTRATIVE PURPOSES ONLY.

THANK YOU

NOW IS A GOOD TIME

