The Roth 401(k)

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

Always Designing for People™

The Roth 401(k)

The 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.

Compare the tax advantages.

Choosing to contribute to your 401(k) plan on a pre-tax or after-tax basis mainly depends on your personal situation, as both types may have a benefit for you.

Whether you choose to make traditional or Roth 401(k) contributions, if your tax rate remains the same at retirement, your account results may be the same. You may need to consider your current tax rate versus your anticipated tax rate at the time you receive a distribution of your account (for example, at retirement). Results are dependent on future tax rates, your income now versus at retirement, and changes in the government's tax policy.

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

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

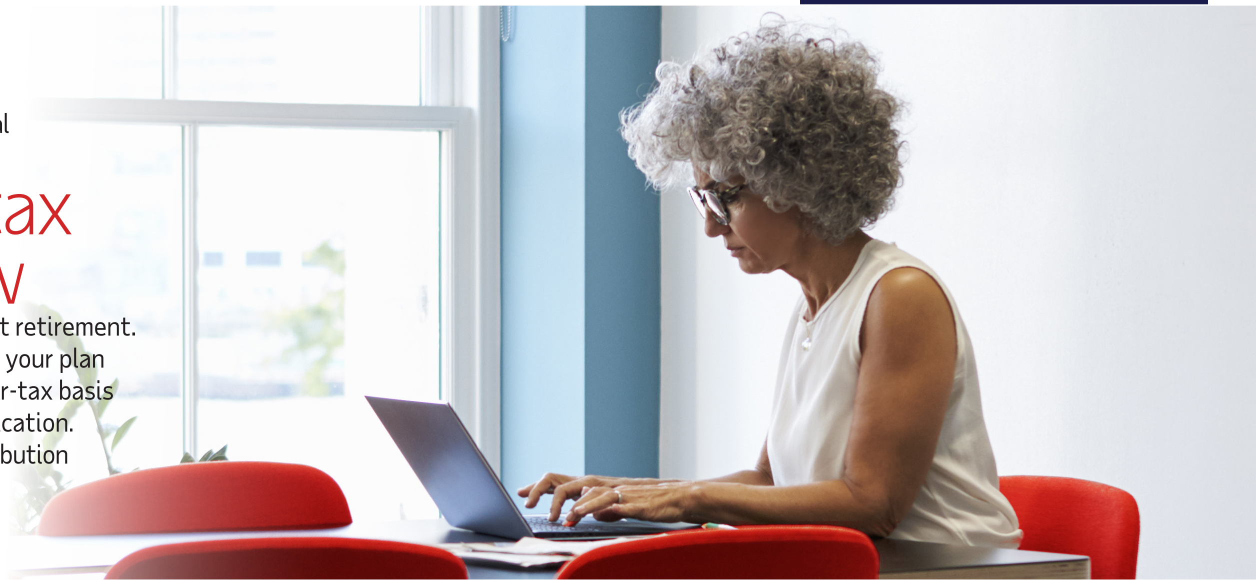
You expect to invest for many years and potentially reach a higher tax bracket later.

You want to diversify your retirement income strategy.

The Roth 401(k) may appeal to workers willing to

forego a tax break now

in return for getting one at retirement. You can also contribute to your plan on both a pre-tax and after-tax basis for additional tax diversification. Annual plan and IRS contribution limits apply.



You Decide: Traditional or Roth 401(k)

	Traditional 401(k)	Roth 401(k)
Eligibility (Based on Modified Adjusted Gross Income)	No income limits.	No income limits.
Contributions	Pre-tax.	After-tax.
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	Employee deferrals are always 100% vested.	Employee deferrals 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 current taxable income by amount of contribution. Pay taxes later on withdrawal.	Contributions are taxable in the current year. No taxes on qualified distributions.[1]
Loans	Yes.	401(k) Plans that offer participant loans may choose loans for Roth 401(k) as well.
Withdrawals	Taxable.	Tax free, if qualified.[1]
Rollovers	Into a traditional IRA or retirement plans that accept 401(k) rollovers. Can subsequently convert a traditional IRA into a Roth IRA.	Into a Roth IRA or eligible retirement plans that accept Roth 401(k) rollovers.[2]
Required Minimum Distributions (RMD)	Subject to RMD rules.	Subject to RMD rules. However, RMDs do not apply if the assets are rolled over to a personal Roth IRA after separation from service.
Distributions	▪ Allowable at age 59½, upon death, disability, severance from service, financial hardship. ▪ Distributions are taxable and may be subject to a 10% early distribution penalty.	▪ Allowable at age 59½, upon death, disability, severance from service, financial hardship. ▪ Qualified distributions are tax-free (i.e. distributions made on or after age 59½, death or disability after a five year holding period).

1 A qualified distribution is a distribution from your Roth Account that occurs at least 5 years after you made your first Roth 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, participants may benefit from a Roth 401(k) if they anticipate being in a higher tax bracket during retirement.
- Even if the participants' marginal tax rate remains relatively stable, they may face a higher tax bill in retirement if they no longer claim deductions for dependents, mortgage interest or other deductions. If this is possible, a Roth 401(k) could be advantageous.
- The Roth 401(k) does not have the income thresholds that Roth IRA requires and may be appealing to participants who want tax-free withdrawals but whose income exceeds the Roth IRA threshold amounts.
- Participants who remain invested in a Roth 401(k) may benefit from tax-free growth over a longer period of time. For participants who plan to retire in five years or less, a shorter-term time horizon may limit the amount of tax-free withdrawals. Participants may get a boost from tax-free savings if they plan to continue working for a longer period of time.

You can find more information about the Roth 401(k), including an interactive calculator that can help you decide which type(s) of contributions are right for you, at **www.mykplan.com**.

Always Designing for People™