**What is Roth 401(k)   
And is it Right For Me?**

**Roth 401(k) Basics**

Elective deferral contributions to a traditional retirement plan are contributed on a pre-tax basis and help lower your current taxable income. Roth elective deferral contributions, however, are much like a Roth IRA in that contributions are made on an after-tax basis. Money in the Roth account and earnings will be distributed tax free if withdrawn after age 59½, death, disability, AND at the end of the 5-year taxable period during which the participant’s deferral is first deposited to the Roth 401(k) account (a.k.a. the Five Year Rule). A Roth 401(k) account can be rolled over to another plan that permits Roth 401(k) contributions or to a Roth IRA. If rolled into a Roth IRA, the tax-free nature remains and the money is not subject to the minimum distribution requirement at age 70½ as in the Roth 401(k).

**Who Would Likely Benefit?**

* People who believe taxes will be greater in the future
* Young investors who believe they will be in a higher tax bracket in the future
* Investors who do not qualify for the Roth IRA due to income limit
* Low income investors who are tax-exempt
* Investors who use Roth 401(k) as a planning tool in conjunction with traditional 401(k) plans
* Allows participants to “hedge” against risk of higher future tax rates

**Who Would Likely Not Benefit?**

* People certain that future tax rates will decrease
* People expecting to experience significant drop in income upon retirement
* People with high temporary income
* People needing access to their funds within the first 5 years of deferrals

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|  | **Traditional 401(k)** | **Roth 401(k)** |
| Tax treatment of deferrals | Before tax | After-tax |
| Tax treatment of earnings | Tax-deferred | Tax-free |
| Tax treatment of final distributions | Taxable at ordinary  income tax rates | Tax-free |
| 2012 402(g) Salary Deferral Limits | \*$17,000  (Traditional + Roth) | \*$17,000  (Traditional + Roth) |
| 2012 Catch-up Limit | \*$5,500  (Traditional + Roth) | \*$5,500  (Traditional + Roth) |
| Distribution Restrictions | Subject to 401(k) Rules,  “qualified distribution” | Subject to 401(k) Rules,  “qualified distribution” AND  Roth 401(k) account must be open for 5 tax years |

In summary, Roth 401(k) contributions have potential to allow individuals more flexibility in saving for retirement, whereby giving investors more control over the taxable alternatives. [INSERT FIRM NAME] recommends a cautious approach when weighing the pros and cons.

Contact [INSERT FIRM NAME and PHONE NUMBER] for more information on Roth 401(k) and to better determine an appropriate course of action.