

Roth 401(k) Contributions

Your retirement plan allows you to make “Roth” contributions to your account.

Roth contributions differ from regular 401(k) contributions.

The biggest difference between a regular and a Roth contribution is tax treatment.

- **Regular 401(k) contributions are tax-deferred.** You contribute pretax dollars, so your taxable wages are lowered at the time you contribute. However, contributions and their earnings are taxable when you receive distributions in retirement. Taxation is only postponed.
- **Roth contributions are made with after-tax dollars.** You pay your taxes and then contribute to the plan. However, the contributions *and all their earnings* are not taxable at retirement. As long as you meet certain criteria, the Roth earnings are *tax-free*, not just tax-deferred.
- **There are two ways you can build your Roth account within the 401(k) Plan:** either by designating future contributions as Roth contributions and making those after-tax contributions going forward or, if you are eligible, converting some or all your existing balance to Roth status.



Example: Joe earns \$60,000 per year, will contribute \$10,000 this year, and has 25 years until retirement. Here’s how regular and Roth contributions compare:

| | Regular 401(k) | Roth 401(k) |
|--|----------------|-------------|
| Salary | \$60,000 | \$60,000 |
| 401(k)/401(k) contribution | \$10,000 | \$10,000 |
| Taxable wage base | \$50,000 | \$60,000 |
| Current income taxes | \$12,500 | \$15,000 |
| Current take-home pay | \$37,500 | \$35,000 |
| Difference in current take-home pay: (\$2,500) | | |
| Value of \$10,000 in 25 years* | \$64,829 | \$64,829 |
| Taxes due | \$16,207** | \$0 |
| Amount available to spend | \$48,622 | \$64,829 |
| Difference in spendable income: \$16,207 | | |
| With the Roth option, Joe “spends” \$2,500 today to have \$16,207 available in the future. | | |

* Assumes 7.5% earnings, compounded monthly. ** 25% tax rate

Your contributions are subject to IRS limits.

The IRS limits 401(k) contributions, whether regular or Roth, annually. To view a chart of the current limits, visit www.tri-ad.com and click “Resources” then “Plan/COLA Limits.”



You can contribute to both account types at the same time.

You may make part of your contributions as regular and part as Roth.

This chart shows some of the key considerations in deciding between regular and Roth contributions:

| Consideration | Regular | Roth |
|--|---------|------|
| You can afford to keep your contribution percentage the same, regardless of the current taxation on those contributions. | | ✓ |
| You can afford to contribute enough to maximize any company match as long as you keep your contributions pretax but can't do it with after-tax contributions. | ✓ | |
| You want to maximize your retirement benefits. You are contributing the maximum your plan will allow currently and want to use all available avenues to increase your future retirement savings. | | ✓ |
| You think your tax rate will be substantially lower in the future. | ✓ | |
| You will not need to withdraw the money or take a loan against it for at least five years. | | ✓ |
| You plan to retire before age 72 (or age 70 ½ if you were born before June 30, 1949) but would like to postpone receiving payments from your 401(k)/401(k) account until after age 72. (You can roll your Roth 401(k)/401(k) into a Roth IRA to allow for this. Special rules may apply.) | | ✓ |
| Are you interested in leaving tax-free money to your heirs? Your beneficiaries may be able to receive your Roth account tax-free when you pass away. Additionally, you can roll Roth 401(k)/401(k) funds into a Roth IRA, potentially delaying minimum required distributions from those amounts during your lifetime. | | ✓ |

To contribute to Roth, log into your account.

When you log into your account at www.tri-ad.com to complete your enrollment/change, you will designate how much money you want to contribute as a regular contribution and how much as a Roth contribution. Contributions are then deducted from your paycheck.

Need More Information?

For tax and/or legal advice: If you need more information about whether contributing or converting to Roth is right for your individual situation, we encourage you to consult your tax advisor or attorney.

For information on Roth 401(k): If you need general information about Roth 401(k)s, please contact TRI-AD's Retirement Participant Services at 877-690-4015, Monday – Friday from 5:00 a.m. to 6:00 p.m. Pacific Time.

