

# Roth Contributions: Frequently Asked Questions

It's important to understand your options. Retirement plans with a Roth contribution option let you choose whether your savings will be treated as either Roth (after-tax) or pretax contributions. This flexibility allows you to choose the best option for your financial situation. Contact Participant Services for more information.

## What is a Roth contribution?

With Roth contributions, employees invest after taxes have already been paid. Unlike conventional after-tax contributions, future Roth distributions—including earnings—are tax free as long as certain requirements are met.

## What are the advantages of Roth contributions?

Roth contributions give you tax benefits similar to Roth IRAs, but contribution limits are higher and eligibility to make contributions is not restricted by your income level. When deciding between making Roth or pretax contributions, you may want to consider Roth contributions if you:

- Have a long time horizon before retirement
- Expect your tax rate to be higher in retirement than it is today
- Are a high-income earner unable to make Roth IRA contributions
- Expect to pay taxes on Social Security benefits and want to lower this tax burden by reducing your taxable income in retirement
- Want to avoid or lessen required minimum distributions by rolling over your Roth contributions to a Roth IRA without any tax implications

It's best to ask a financial advisor for assistance in providing appropriate, personalized advice regarding your situation.

Note: Before making a contribution, you must indicate whether it is a Roth or pretax contribution. Once contributions are made, the election to treat them as Roth or pretax is not reversible. However, you may change how future contributions are treated.

## Is there a limit to Roth contributions?

Roth and pretax contributions are subject to the same limits. You are permitted to defer up to \$23,500 in 2025, and all contributions (Roth and pretax) are combined to determine whether this limit has been met or exceeded. Those who are age 50 or older by the end of the taxable year are also eligible to make catch-up contributions of up to \$7,500 in 2025, or if age 60-63, make a catch-up contribution up to \$11,250 in 2025.

### **Will my employer match Roth contributions?**

If your company currently matches your pretax contributions, the same formula may also apply for Roth contributions. Your company's plan documents will outline the specifics related to your employer's match.

### **Can my company plan allow me to contribute both Roth and pretax contributions at the same time?**

Yes, your plan may allow you to make Roth contributions and pretax contributions simultaneously. Contact your employer or refer to the plan documents for complete details regarding your options.

### **Are all Roth distributions completely tax free?**

No, Roth distributions are completely tax free only if they meet the following requirements:

- Distributions are made after a five-year period following your first Roth contribution to your employer's plan, and
- Distributions are made after one of the following events:
  - Age 59½
  - Death
  - Disability

If you take a distribution prior to meeting the above requirements, your distribution will consist of a pro-rata share of Roth contributions and earnings, and the earnings portion will be taxable to you. The taxable portion will also be subject to a 10% early distribution penalty unless an exception applies.

### **How is this five-year period determined?**

The five-year period begins on the first day of the taxable year in which you make your first Roth contribution to the plan. For example, if your taxable year begins January 1, 2025, and you make your first Roth contribution June 1, 2025, your five-year period begins January 1, 2025. If you directly roll over Roth contributions from another plan and those Roth contributions were made before Roth contributions were made to your current plan, the beginning of the five-year period starts with the year in which the Roth contributions were first made to that other plan. For indirect rollovers, the five-year period under the distributing plan does not apply to the receiving plan.

### **Can I take a loan from my Roth contributions?**

Loan availability is determined by the plan's loan policy. There may be limitations on the amount you are able to withdraw. Contact your employer for complete details.

### **Can I roll over Roth contributions from other plans into this plan that has Roth contributions?**

Yes, provided your plan permits rollovers from other Roth plans. Contact your employer for complete details.

### **Can Roth contributions be rolled over to a Roth IRA?**

Yes, provided you have met the requirements under your plan. Contact your employer for complete details. Note: Roth IRA assets cannot be rolled over to an employer-sponsored retirement plan.

### **If I start making Roth contributions, can I change my mind later?**

Yes, you always have the right to make changes to future contributions. But once the dollars are deposited as Roth or pretax contributions, the election cannot be changed.

### **How do I get started?**

Contact your employer regarding the process for making your contribution elections.