

Is a **Roth** right for you?



A Roth account lets you put a different tax twist on retirement savings—and the result could save you money down the road. Should you take this route? Read on.

Roth basics

Unlike a traditional pretax retirement plan, with a Roth account you invest after-tax dollars. Those dollars grow tax deferred, and if you hold the account for at least five years and don't withdraw the money until at least age 59½, you won't owe a dime in taxes* on your earnings. The trade-off: Because contributions are after tax, your take-home pay will be reduced by the amount you save.

This can make a Roth especially attractive if you expect your tax rate to be higher when you retire than while you're working—maybe due to a combination of a savings plan, Social Security and other income you expect to receive, a rise in income tax rates, or a combination of both. Also, if you're just starting out, you might not earn enough today to really benefit from pretax savings; so, an after-tax Roth account might make sense, at least early in your career.

Your choices, head to head

	Traditional	Roth
Contributions	Pretax, lowers current taxable income*	After tax
Earnings	Tax deferred	Tax deferred
Withdrawals	Income tax due on all contributions and earnings (10% IRS penalty may apply before age 59½)	No tax due on qualified** withdrawals
Required minimum distributions	Must begin after age 70½ (unless you're still working)	Can avoid with rollover to Roth IRA

*Federal and most states

**You must hold account at least five years and past age 59½. Other withdrawals may be subject to a 10% IRS penalty if you are under age 59½.

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Roth FAQs



Am I eligible?

If your retirement plan allows it, anyone who can save through a traditional pretax plan can fund a Roth account. And unlike a Roth *IRA*, there are no income limits on Roth eligibility.

How much can I contribute?

You may contribute up to the IRS annual limit (currently \$17,500, though other plan limits may apply) to your *entire* retirement plan—traditional, Roth, or a combination of both. Also, if you're age 50 or older at any time during 2013, and your plan allows, you can make up to \$5,500 more in "catch-up" contributions to your accounts.

Can I convert pretax balances to a Roth?

You may be able to convert pretax balances* (from your own contributions and any employer matching contributions in which you're fully vested) to a Roth account within your plan.

Important: The move will trigger regular income taxes on the amount you convert. Also, unlike a Roth *IRA*, the balance will be subject to required minimum distribution (RMD) rules (generally, income must start by April 1 after the year you reach age 70½, unless you're still working). However, you can avoid a RMD by rolling over the Roth account to a Roth *IRA* when you retire.

**Amounts may need to be eligible for withdrawal from the plan as a rollover distribution. See your plan document or call 800-401-8726 for details.*

Consider a Roth account if:

- You think you'll be in a *higher* tax bracket when you retire than you are today.
- You're not earning enough to reap much benefit from a pretax account. (You can always shift to traditional pretax savings if your income—and tax rate—spike.)
- You want to diversify your tax risk—that is, hedge at least some of your savings against the *chances* that your tax rate will rise later on

Consider converting to a Roth account if:

- You can afford to pay the regular income taxes on the balance you convert.

Think ahead. Take action now.

Regular, Roth, or both?

- ✓ **Do the math.** Use the "Roth Analyzer" at www.TA-Retirement.com to see if a Roth account adds up for you.
- ✓ **Look into the future.** Think about where your tax bracket could be in light of your current pay...and possible changes to tax rates.

The information provided here is intended solely as general summary information and is not intended to serve as legal or tax advice applicable to particular matters or situations. Everyone's situation is unique. You may wish to consult a legal/tax advisor. Also, as your circumstances will likely change over time, periodically review your saving and investing strategy to make sure it continues to reflect your current situation.