

Commonly Asked Questions

How is a Roth 401(k) contribution different from a Regular 401(k) contribution?

- A. Roth contributions are made into your account on an after-tax basis. This means that you will pay income taxes on the contributions at the time they are deducted from your paycheck. The earnings on your Roth 401(k) contributions are tax free as long as you leave them in your account for at least 5 years and withdraw them after you are age 59 ¹/₂. What this means for you is that during retirement your distributions from your Roth 401(k) account will be paid to you tax free if you qualify as described above.
- B. Regular 401(k) contributions are taken out of your paycheck on a tax deferred basis. This impacts you in several ways:
 - a. You will not pay Federal income tax on the money you put into your Regular 401(k) account when it is deducted from your pay. In most, but not all states, you will also not be assessed State income tax on your 401(k) deductions.
 - b. Your contributions continue to grow tax deferred (no income tax is assessed while the money is in your 401(k) account).
 - c. When you retire and start to take out money, you will then pay income taxes based on your tax bracket at the time.

How do I know if I should use the Regular 401(k) feature or the Roth 401(k) feature?

How you choose to save for retirement is very much an individual decision. Deciding whether to save using a Regular 401(k) or Roth 401(k) will be dependent upon your age and your tax bracket. Your plan record keeper may have a calculator that you can use to see if saving using Regular 401(k) or Roth 401(k) makes more sense.

How much can I put into my Roth 401(k) Account?

The Roth 401(k) and Traditional 401(k) allows you to make contributions up to the current year's IRS limits and a catch-up for individuals over 50 years old. (Please reach out to our Advice Desk at 800.967-9948 for the current year limits.)

May I use a Roth 401(k) even if I would not be eligible for a Roth IRA?

Even though you may not qualify to make Roth IRA contributions, you would be eligible to use the Roth 401(k) feature offered in your plan.

Can I make contributions using both the Regular 401(k) method and the Roth 401(k) method at the same time?

Yes. You can use both features at the same time in most retirement plans offering Roth 401(k). Having a Roth 401(k) feature in your employer's retirement plan gives you flexibility and potential tax planning strategies for your retirement years. All tax planning should be done with the help of your personal tax advisor who will have the facts surrounding your individual situation.

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