Roth contributions allow you take a different approach to how your money is taxed in retirement. Should you take the Roth route?

HOW DO ROTH CONTRIBUTIONS WORK?

When you make Roth contributions to your retirement account, you're using after-tax dollars. Earnings on those dollars will grow tax-free while in your retirement account, and may be withdrawn tax-free if it's been at least five years since your initial Roth contribution and you don't withdraw the money until at least age 59½.[1] Roth contributions can be beneficial if you expect your income to be subject to a higher effective tax rate when you retire.

YOUR CHOICES, HEAD-TO-HEAD

	TRADITIONAL	ROTH
Contributions	Pretax, lowers current taxable income[1]	After-tax
Earnings	Taxable upon withdrawal	Tax-free[2]
Withdrawals	Income tax due on all contributions and earnings (10% IRS penalty may apply before age 59½)	No tax due on qualified Roth distributions[2]
Required minimum distributions (RMD)*	Pretax balances are included in the RMD calculation.	Beginning in 2024, Roth balances will be excluded from the RMD calculation (same treatment as IRAs).

*Required minimum distributions are annual amounts that must be paid to participants upon the later of termination of employment or the applicable age established by the IRS. The applicable age is 73 for participants who had not turned 72 by the end of 2022 but who will turn 74 by the end of 2032; the applicable age is 75 for participants who will not have turned age 74 by the end of 2032.

[1] Federal and most states

[2] Qualified Roth distributions are distributions taken at least five years after your initial Roth contribution to the plan and after you have reached age 59½. Withdrawals that are not qualified Roth distributions may be subject to a 10% IRS penalty if you are under age 59½.

AM I ELIGIBLE?

Yes, your retirement plan allows you to make Roth contributions. 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 ($23,000 in 2024) in traditional or Roth contributions, or a combination of both. Also, if you're age 50 or older at any time during 2024 and your plan allows, you can make additional "catch-up" contributions ($7,500 in 2024).

CONSIDER ROTH CONTRIBUTIONS IF:

- You think your income will be subject to a higher effective tax rate when you retire than it is today
- You want to diversify your tax risk and have the potential for tax-free withdrawals in retirement

CAN I CONVERT PRETAX BALANCES TO A ROTH?

You may be able to convert pretax balances (from your own contributions and any employer contributions in which you're fully vested) to a Roth account within your plan.* **Important:** The amount you convert will be reported as ordinary income and subject to income taxes in the year of the conversion.

* Amounts may need to be eligible for withdrawal from the plan as a rollover distribution. See your plan document for details.

Think ahead. Take action now. Need to get in touch?

Contact: 800-755-5801 **Visit:** transamerica.com/portal

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