

# Roth 401(k) Guide

## A New Way to Contribute to Your Retirement

### **You now have the option to take advantage of a Roth 401(k) contribution type in your Company Plan.**

A Roth 401(k) allows you to save money from your paycheck that's already been taxed so you don't have to pay taxes on your contribution or its earnings when you withdraw it for retirement. In a Roth 401(k) you pay your taxes now, so you don't have to pay them in the future.

**You still have the option of saving in your traditional 401(k).** The traditional 401(k) contributions are made with before-tax dollars, which reduces your taxable income today. Any withdrawals you take in retirement are taxed as ordinary income. In a traditional 401(k) you defer your taxes into the future.

**You may defer a portion of your paycheck to both contribution types. The choice is yours.**

*The following questions may offer guidance on which choice is best for you.*

#### **Pay taxes today?**

- Do you think your personal income taxes will be higher when you're in retirement?
- Do you think tax rates will be higher when you are in retirement?
- Does the idea of tax-free and penalty free gains appeal to you?
- Do current income restrictions prevent you from contributing to a Roth IRA?

**If you answered "yes" to any of these questions, then a Roth 401(k) may be the right choice.**

#### **Or Pay taxes tomorrow?**

- Do you think your personal income taxes will be lower when you're in retirement?
- Do you think tax rates will be the same when you reach retirement as they are today?
- Will a reduction in your current taxes make saving in your Company Plan more appealing to you?
- Are you currently contributing to a Roth IRA?

**If you answered "yes" to any of these questions, then a traditional 401(k) may be the right choice.**

## Roth 401(k)

- Roth 401(k) is After Tax Dollars.
- Grows Tax Deferred and, \*if qualified\*, contributions and earnings can be withdrawn tax free.
- Can be rolled over into a Roth IRA or Roth 401(k), and no other account type.
- Contributions to a Roth 401(k) are irrevocable. You cannot transfer them to the traditional 401(k).
- Employer contributions are not affected by choosing the Roth 401(k) contribution type.
- Depending on IRS guidance, amounts rolled-over from a Roth IRA to a Roth 401(k) may be available for loans.
- Same withdrawal options/restrictions as a traditional 401(k).
- Qualified distributions are allowed if:
  - a) Roth 401(k) is at least five years old  
*and*
  - b) you are age 59 ½, became disabled or died.

## Traditional 401(k)

- Traditional 401(k) is Before Tax Dollars.
- Grows Tax Deferred and is taxable when withdrawn.
- Can be rolled over into a traditional IRA or traditional 401(k).
- Company contributions and/or profit sharing contributions are deposited into the traditional 401(k)/Profit Sharing.
- Withdrawal options/restrictions are detailed in the Company Highlights form and in detail in the Summary Plan Description (SPD) and Plan Document.

**For more information about the Roth 401(k) option, contact Bay City Financial Services and/or your tax professional.**



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**Bay City Financial Services, Inc.**  
**Your Retirement Plan Advisor**

The Roth 401(k) is a new way to invest in your Company Plan. The IRS has yet to provide guidance on many details. The information provided herein is general in nature and should not be construed as legal or tax advice regarding your Plan as legal and tax opinions can be rendered only when related to specific situations.