

## **ROTH 401(k) FREQUENTLY ASKED QUESTIONS (FAQs)**

**FAQ 1: *What is a Roth 401(k) contribution and how is it different from a traditional 401(k) contribution?*** Roth 401(k) contributions are salary deferrals contributed on an after-tax basis to your retirement plan account. Roth 401(k) deferrals are taxed before they are contributed to your employer's retirement plan and the contributions and earnings grow tax-free. If all criteria are met for a "qualified" distribution, then distributions from your Roth account at retirement are 100% income tax free. Traditional 401(k) contributions are salary deferrals contributed on a pre-tax basis. Traditional 401(k) contributions are not taxed before they are contributed to your employer's plan and the contributions and earnings grow tax-deferred. Distributions in retirement from traditional 401(k) contributions are taxed at ordinary income tax rates, when withdrawn.

**FAQ 2: *What is a qualified distribution?*** A distribution is qualified if it occurs after the 5-year taxable period during which your contribution was originally deposited to your Roth 401(k) account in your employer's retirement plan, and the distribution is attributable to your: 1) attainment of age 59 ½, 2) disability or (3) death. In determining the 5-year taxable period, any deferral contributed in a calendar year, even if it is contributed on the last day of the year, is considered contributed on January 1 of that year. For example, a Roth 401(k) contribution made anytime in 2006 would be considered contributed on January 1, 2006. If you make your first Roth contribution during 2006, you will satisfy the 5-year requirement on January 1, 2011 with regard to all of your Roth 401(k) source.

**FAQ 3: *What factors should I consider when deciding whether I should make Roth 401(k) contributions or regular 401(k) contributions?*** Generally, if you expect to be in a higher tax bracket in retirement, the Roth 401(k) contributions would be very beneficial. However, due to the uncertainty of future tax rates, Roth 401(k) contributions may benefit many participants across the income spectrum as Roth 401(k) contributions serve to diversify tax risk. This is important to understand as changes to the current rates of tax and taxation system could change at any time. A consultation with your tax advisor may help you in determining what type of deferral is best for you given your personal circumstances.

**FAQ 4: *Can I contribute \$15,000 (plus \$5,000 if I am age 50 or older) in regular 401(k) contributions and contribution the same amount in Roth 401(k) contributions?*** No. The \$15,000/\$5,000 limits apply to all 401(k) contributions in the aggregate. You can make either traditional pre-tax 401(k) contributions, Roth after-tax 401(k) contributions or any combination of the two up to these limits.

**FAQ 5: *If I contribute to a Roth 401(k) in my employer's 401(k) plan, can I still contribute to a Roth IRA?*** Yes, unless you are precluded from making a Roth IRA contribution based on your adjusted gross income (AGI). The AGI limits for 2006 are \$110,000 for single individuals and \$160,000 for married individuals.

**FAQ 6: *If my employer matches my pre-tax 401(k) contributions will I still get a match on my Roth 401(k) contributions?*** Yes, your employer will match Roth 401(k) contributions in the same manner as pre-tax 401(k) contributions. However, if you choose to do Roth 401(k) contributions at a lower deferral rate, your match may be lower too, depending on the total percentage of compensation deferred for the year.

**FAQ 7: *If I contribute Roth 401(k) contributions will this have any impact on my employer profit sharing contributions?*** No. Your Roth 401(k) contributions have no impact on your eligibility to receive employer profit sharing contributions.

**FAQ 8: *Are Roth 401(k) contributions subject to the same in-service restrictions as traditional pre-tax 401(k) contributions?*** Yes, but if you have not satisfied the five-year holding period rule and the distribution is nonqualified (other than for death, disability or attainment of age 59 ½) and not rolled over, the earnings on the Roth 401(k) would be taxable (subject to final IRS regulations).

**FAQ 9: *If I become eligible for a rollover distribution can I rollover all sources of money in my retirement plan account to an IRA, including my Roth 401(k) contributions?*** Yes. If a Roth 401(k) account is distributed in a rollover, it can only be rolled over to a Roth IRA. The taxable portion of the rollover amount is taxed at the time of rollover and would be subject to the Roth IRA conversion rules.

**FAQ 10: *Can I roll my Roth IRA account into my Roth 401(k) account in my employer's retirement plan?*** No. There is currently no provision that allows Roth IRA money to be rolled into a Roth 401(k) plan. If the Roth IRA consists solely of Roth 401(k) funds received from a 401(k) plan, and the Roth 401(k) funds were not commingled with traditional Roth IRA contributions, you may roll over the IRA to a Roth 401(k) plan.

**FAQ 11: *Am I allowed to exclude my Roth 401(k) account monies from required minimum distributions?*** No. Unlike Roth IRA accounts, Roth 401(k) contributions are subject to the required minimum distributions rules when you reach the age of 70 ½. However, you may roll your Roth 401(k) monies to a Roth IRA prior to attaining age 70 ½ to avoid required minimum distributions on the Roth source only.

**FAQ 12: *Are Roth 401(k) account distributions included in the income limits for taxation of social security benefits?*** No. At present, Roth 401(k) account distributions do not increase your taxable income for purposes of computing tax on social security benefits.

**FAQ 13: *Are the plan's investment options different for my Roth 401(k) contributions?*** No. The same investment options are available for your Roth 401(k) contributions.

**FAQ 14: *What will happen to my Roth 401(k) account if the law permitting Roth 401(k) contributions is not extended beyond the year 2010?*** Your "Roth" account will remain in the plan until you are eligible for and request a distribution of these monies. Upon distribution, your Roth 401(k) account will be subject to current tax laws, unless Congress passes future legislation that provides otherwise.

<p>This communication is not, and is not intended as, tax or legal advice to the Plan, the Plan Sponsor or any Plan participant. Plan participants should consult with their accountant or tax advisor before making any decision about whether to characterize deferrals as pre-tax or after-tax (Roth) because personal and financial circumstances vary significantly from one participant tax payer to another.</p>
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