

Traditional vs. Roth 401(k)

When faced with the decision of choosing to invest in a traditional versus a Roth 401(k) plan, you may not be sure which option to choose. Below is a table that provides some of the attributes of both types of plan which may help decipher their differences.

	Traditional 401(k)	Roth 401(k)
Contributions	Pre-tax contributions reduce current taxable income	Post-tax contributions do not reduce current taxable income
Limitations of Contributions	2009 limits: \$16,500. If age 50 or older, additional \$5,500 catch-up contribution. (Subject to plan limits.)	Same
Investment Growth	Tax-deferred	Tax-free
Distributions (after age 59 ½)	Taxed as ordinary income	Tax-free and penalty-free ¹ if account has been held for over 5 years
Rollover to Roth IRA	May be rolled over directly to a Roth IRA ²	May be rolled over directly to a Roth IRA with no tax payment
At Age 70 ½	Must take Required Minimum Distribution ³	Same
Company Match	Made to a traditional (pre-tax) matching account	Same

¹ 10% penalty will apply if withdrawals are made from an account established less than 5 years.

² Certain limitations apply.

³ Certain exceptions apply.

Below are some additional questions and answers which may help you in making your investment decisions.

Can I change my mind and have designated Roth contributions treated as pre-tax contributions?

No. Your election to make certain deferrals as designated Roth contributions is irrevocable.

Can I make the maximum contributions, including catch-up contributions, to both my Roth 401(k) as well as my Roth IRA in the same year?

Yes, although certain income restrictions apply regarding your Roth IRA contribution. An individual age 50 or older can make a contribution of up to \$22,000 in 2009 to a 401(k) plan (\$16,500 regular plus \$5,500 catch-up contributions) and \$6,000⁴ to a Roth IRA (\$5,000 regular and \$1,000 catch-up IRA contributions) for a total of \$28,000 for 2009.

Do the same income restrictions that apply to Roth IRAs apply to designated Roth 401(k) contributions?

No. There are no limits on an employee's income in determining if he or she can make designated Roth 401(k) contributions.

⁴ Contribution may be limited depending on filing status and your Adjusted Gross Income.