

# UTSaver TSA Roth option offers tax-free retirement income.

## About the Roth 403(b) Option:

Your UTSaver TSA now gives you the opportunity to contribute after-tax dollars through a Roth 403(b) option. Does a Roth make sense for you?

### An additional way to save in your plan

Unlike your traditional pretax savings with the UTSaver TSA, Roth allows you to contribute after-tax dollars to your UTSaver TSA, but then withdraw tax-free dollars from your account when you retire. The following information can help you decide whether the Roth makes sense for you.

### How the Roth (after-tax) compares with your traditional (pretax)

Just as with your traditional pretax:

- You elect how much of your salary you wish to contribute.
- Your contributions to Roth (after-tax) and traditional (pretax) cannot exceed IRS limits.
- Your contribution is based on your eligible compensation.

Unlike your traditional pretax contributions, your Roth after-tax contributions allow you to withdraw your money tax free when you retire. But the Roth also requires you to make after-tax contributions now.

### Who might benefit from Roth contributions?

The Roth could be a good option for:

- Younger employees who have a longer retirement horizon and more time to accumulate tax-free earnings.
- Highly compensated individuals who aren't eligible for Roth IRAs, but who want a pool of tax-free money to draw on in retirement.
- Employees who want to leave tax-free money to their heirs.

Taxes: Pay now or pay later		
	Traditional Pretax	Roth After-tax
Employee contributions	Pretax dollars	After-tax dollars
Employee withdrawals	Taxable upon withdrawal	Tax free upon withdrawal*

\*In the event of either retirement or termination, your earnings can be withdrawn tax free so long as it has been five tax years since your first Roth contribution and you are at least 59½ years old. In the event of death, beneficiaries may be able to receive distributions tax free if the deceased started making Roth contributions more than five tax years prior to the distribution. In the event of disability, your earnings can be withdrawn tax free if it has been five tax years from your first Roth contribution.

### ACTION PLAN

- Read this information about the Roth option.
- Contact a tax professional for specific advice on your personal situation.
- Call your Provider's Financial Advisor or Retirement Counselor for assistance.



## Is the Roth option right for you?

Four questions to ask yourself. The Roth 403(b) was designed to combine the benefits of saving in your UTSaver TSA with the advantage of avoiding taxes on your money when you withdraw it at retirement.

If you answer yes to some or all of these questions, then Roth contributions may be right for you.

**1 Will your tax rate be higher by the time you retire?** This is a question that nobody can answer with certainty. Marginal income tax rates have declined over the last two decades, and there have been several recent proposals in Congress to further lower income taxes. If tax rates were to continue to decline, a traditional pretax 403(b) might be the better option. The same is true for individuals who expect their marginal tax rate to be lower in retirement as the result of a lower income.

### Generally:

- If tax rates stay the same, traditional pretax or Roth after-tax contributions will likely yield the same nest egg after taxes.
- If tax rates rise, paying taxes now through Roth contributions will likely yield a higher after-tax retirement benefit than with traditional pretax contributions.
- If tax rates decrease, deferring taxes now with traditional pretax contributions would probably benefit you more at retirement.

**2 Do you currently max out your pretax contributions?** If you can afford it, making maximum Roth contributions may be a good option. Because any earnings accumulate tax free rather than simply tax deferred, a qualified Roth distribution could provide more cash upon retirement than an equivalent traditional pretax distribution would.

**3 Are you focused on passing as much as possible to your heirs?** Your beneficiaries may be able to receive your Roth contributions tax-free if you die. Additionally, you can roll Roth 403(b) funds into a Roth IRA, potentially delaying minimum required distributions from those amounts during your lifetime.

**4 Do you make too much money today to invest in a Roth IRA?** Unlike Roth IRAs, there are no maximum income limits for Roth 403(b) contributions. Even if your income is too high to qualify for a Roth IRA, you can make Roth 403(b) contributions.

### Things to remember:

- Because Roth contributions are under the same IRS limits as pretax contributions to your UTSaver TSA, each dollar of a Roth contribution reduces the amount that can be contributed pretax (and vice versa).
- Your take-home pay will be less than it would be if you made an equivalent traditional pretax 403(b) contribution, because income taxes must be currently withheld and paid on after-tax Roth 403(b) contributions.

## Make an informed decision for your retirement readiness.

The UTSaver TSA now gives you the choice of contributing to your traditional pretax option, a Roth after-tax option, or a combination of the two. Whether or not you choose the Roth really depends on which option is likely to benefit you most in the future.

	Roth After-tax	Traditional Pretax*
<b>Sally's story</b> Sally earns \$40,000 annually and has elected to make both pretax and after-tax contributions.		
<b>Sally's monthly contribution into each account</b>	\$200	\$200
<b>Sally's reduction in take-home pay is different</b>	\$200	\$150

\*This hypothetical example is based solely on an assumed federal income tax rate of 25%. No other payroll deductions are taken into account. Your own results will be based on your individual tax situation.

It makes sense to consult a personal tax advisor before making a final decision, but this short checklist can help you focus on the key considerations:

### Decision checklist

1. Do you think your tax rate will be higher by the time you retire?  
 Yes  No
2. Do you currently max out your pretax contributions?  
 Yes  No
3. Are you focused on passing as much as possible to your heirs?  
 Yes  No
4. Do you earn too much to be eligible for a Roth IRA?  
 Yes  No

If you answered yes to some or all of these questions, Roth contributions might be a good option for you.

For further help and information, contact your local Benefits Office, or your Provider:

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