A GUIDE TO ROTH CONTRIBUTIONS

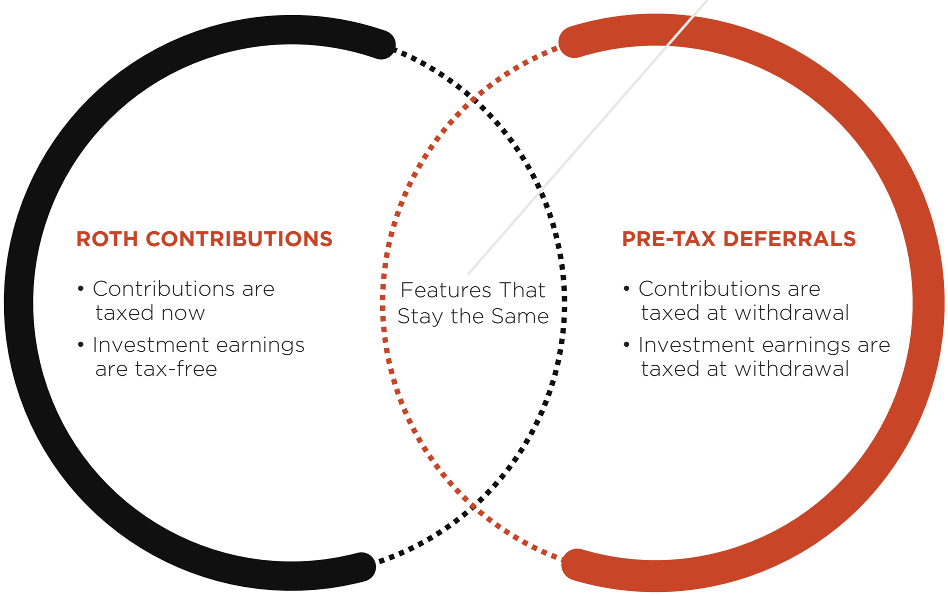
In Your Retirement Plan

WHAT ARE ROTH CONTRIBUTIONS?

Your employer may choose to allow a Roth contribution feature, which allows you to contribute to your retirement plan on an “after-tax” basis. Unlike traditional “pre-tax” deferrals, Roth contributions are counted as taxable income (at your current income tax rate) but withdrawals from your Roth account (and any investment earnings) are eligible for tax-free treatment.

Anyone can make Roth deferrals—there is no AGI limit. You may choose to split contributions between pre-tax salary deferrals and after-tax Roth contributions. (For example, if you want to contribute $100 per pay period, you may specify that $75 should be Roth contributions and $25 should be pre-tax deferrals.) You can also change your elections at any time (according to plan provisions).

All other advantages of contributing to your retirement plan remain the same. Also, Roth contributions can be rolled into another plan with a Roth option or to a Roth IRA at termination of employment or retirement.



BOTH DEFERRAL TYPES

- Maximum annual limit
- Always 100% vested
- Eligible for catch-up contributions
- Eligible for matching contributions

Choose to pay taxes on your contributions now or later and whether to defer or avoid taxation on any investment earnings.

IS IT RIGHT FOR ME?

Many people find Roth deferrals beneficial. If you have a long time until retirement, contributing to an account that will grow tax-free might be a good idea. If you are currently taxed at a very low rate, then the Roth deferral arrangement might be advantageous because taxes on your Roth deferrals will be minimized, especially when compared to your potential future tax rate at retirement. Making Roth contributions may also be a good idea for anyone who believes their future tax rate will be higher than their existing tax rate.

Effects on Net Pay
Since pre-tax deferrals are made on a pre-tax basis but are taxed later, and Roth deferrals are made on an after-tax basis but aren't taxed later, your take-home pay changes.

	Pre-Tax Deferral	Equal Contribution Roth Deferral	Equal Pay Roth Deferral
Gross Annual Pay	$30,000	$30,000	$30,000
401(k) Contribution ($200/mo.)	2,400	2,400	2,040
Taxable Income	27,600	27,600	27,960
Federal Income Taxes (15%)	4,140	4,500	4,500
FICA (7.65%)	2,295	2,295	2,295
Net Take-Home Pay	**$21,165**	**$20,805**	**$21,165**

When you make Roth deferrals, you must choose to either make less of a contribution or receive a reduction in your take-home pay.

Amount of Taxes Paid
Making deferrals on a pre-tax basis can be advantageous because you defer the income taxes typically paid on this amount until a later date, usually retirement. When you make Roth deferrals, you will need to pay these taxes when you make the contribution, but you won't need to pay income taxes on the growth (or interest) earned on your account. You may wish to consult a personal tax advisor, who can provide you with personalized tax projections and help determine which option is right for you.

ARE THERE ANY SPECIAL RULES?

In order for your Roth account to be distributed tax and penalty free, it must be considered a "qualified Roth distribution." This means that the withdrawal must be made after the five-year period that begins with the first year a Roth deferral is made and must occur on or after the date you reach age 59½, become disabled, or die. If you plan to use your retirement account to fund your retirement, this rule generally should not worry you. Remember that if you do change employment, you can roll over your Roth deferral to another qualified plan with a Roth feature or to a Roth IRA.

Your plan may also permit in-plan Roth conversions. This means that you can convert pre-tax contribution accounts to after-tax Roth accounts. Like other withdrawals from pre-tax accounts, the converted amount will result in income tax liability at ordinary state and federal tax rates.