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Roth 401(k), 403(b) or 457(b)

An after-tax contribution opportunity

In addition to pretax contributions, your plan also accepts Roth contributions. You can make either or both types of contributions to the plan.

Important note

For more information about Roth contributions, please contact your financial professional. Remember your retirement savings strategy is unique — you should consider consulting your tax advisor to discuss how both types of contributions would apply to your personal financial situation.

After-tax contributions, tax-free distributions

When you make Roth contributions, you pay federal and, if applicable, state and local income taxes on the contributions when they are deducted from your paycheck. Distributions from your Roth plan account are tax-free, provided certain requirements are met as explained below.

Tax-free earnings potential

Distributions of any investment earnings on your Roth 401(k), 403(b) or 457(b) contributions are also tax-free if the distribution occurs when you are age 59½ or older (or upon your death or disability) and is made 5 or more years after the year in which you made your first Roth contribution. Distributions meeting these requirements are referred to as "qualified distributions."

If you receive a distribution from your Roth account before you reach age 59½ (or become disabled or die) and/or before the end of the 5-year participation period, your distribution would not be considered a qualified distribution. If there are earnings in the Roth account, the distribution is partially included in gross income, pro rata from earnings and after-tax contributions. This is different from the way distributions from Roth IRAs are taxed. You might have to pay federal and, if applicable, state and local income taxes on any investment earnings distributed from your Roth account. A 10% federal tax penalty may also apply.

Other important facts about Roth 401(k) contributions:

Your combined pretax and Roth contribution limit cannot exceed $20,500 ($27,000 for employees age 50 and older) in 2022.

Eligible Roth 401(k) distributions may be rolled over to any 401(k), 403(b) or governmental employee 457(b) plan that accepts Roth rollover contributions, or to a Roth IRA.

Generally, you must begin taking annual required minimum distributions (RMDs) from your Roth 401(k) account starting the year you reach age 72 or when you stop working for your employer, if later.[1] No RMD is required if the account is rolled over to a Roth IRA before RMD payments must start.

You may change your future contribution elections between pretax and Roth as defined by the plan's rules.

A comparison of 401(k), 403(b), 457(b) pretax and Roth contributions[1]

Feature	Pretax contributions	Roth contributions
Employee contributions	Pretax dollars	After-tax dollars
Investment earnings on employee contributions	Potentially tax-deferred growth	Taxable when withdrawn unless a qualified distribution (BOTH 5 years of participation in Roth account and at least age 59½, at death or disabled)
Distribution prior to age 59½	Ordinary federal and state income taxes, PLUS a 10% federal tax penalty on the entire balance	Ordinary federal and state income taxes, PLUS a 10% federal tax penalty on earnings only
Tax treatment of distributions after age 59½	• Ordinary income tax will apply to all amounts distributed (contributions and earnings) • State income tax and withholding may also apply	• Contributions and earnings: tax-free if distribution occurs no earlier than 5 years following the initial Roth contribution • Ordinary income tax will apply only to earnings if a 5-year participation period and one of the three applicable Roth-qualifying events are not met (age 59½, death or disability) • State income tax and withholding may also apply
Eligible distributions can be rolled over	Yes	Yes
Contribution limits	$20,500 in combination of both sources, or $27,000 if age 50 or older during the plan year	$20,500 in combination of both sources, or $27,000 if age 50 or older during the plan year
Required minimum distributions (RMDs)	Later of age 72 or separated from employment with sponsoring employer if not 5% owner	• Later of age 72 or terminated from employment with sponsoring employer if not 5% owner • Ability to roll over qualified distribution to Roth IRA where no RMD requirement applies if rollover occurs before RMD is required under the plan

1 This includes eligible catch-up contributions.

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