

# RetireSMART<sup>SM</sup> MOVES



## The Move: Understanding the Roth account

A Roth account trades a tax break now for one in the future.

You may be able to choose a Roth account through your company's retirement plan. In very basic terms, Roth money is "after-tax" money. You contribute to your retirement account with after-tax dollars, and your contributions and any investment earnings grow tax-free.

The money you withdraw from a Roth account at retirement is tax-free income, provided you are 59½ or older and held your account for at least five years. Like your pre-tax contributions to a traditional retirement plan, your Roth account contributions are immediately fully vested and are available for loans or company matching, if the plan allows.

## Should I consider a Roth account?

In general, a Roth account may make sense for you if:

- **You believe your tax rate will be higher in retirement than today** – the contributions made to your plan's Roth account are taxed at today's tax rate as opposed to paying what could be higher rates at retirement.
- **You expect your income to rise and you have a longer time horizon to save** – making after-tax contributions to your plan's Roth account at today's tax rate may outweigh saving in a pre-tax account.



### Action Plan: Determine if Roth account contributions are right for you

- Use the Roth calculator on [www.massmutual.com/serve](http://www.massmutual.com/serve)
  - Talk to a financial advisor about your situation
  - Call 1-800-528-9009 to get started
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- **You want to diversify your retirement savings into pre-tax and after-tax accounts** – your retirement plan provides the flexibility for you to make contributions to both the pre-tax and Roth account. When it comes time to think about distributions, it also provides you with more options because of the different taxation of the Roth and pre-tax accounts.
  - **You want income flexibility in retirement** – if you want to limit the application of the required minimum distribution rules (which means you must take the money by 70½), you can roll your Roth money (before reaching your required beginning date) into a Roth IRA, where the money can remain beyond age 70½.

*Continued*



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There is no “one size fits all” answer for participants considering the Roth option, and it is a good idea to consult a financial advisor for guidance in your particular situation.

The chart below provides a brief comparison of the main features of a Traditional and Roth account. Check your workplace retirement plan materials for more details.

## Learn more

To help determine which type of retirement account may be the best option for you, visit [www.massmutual.com/serve](http://www.massmutual.com/serve).

If you have any questions, contact the Participant Information Center at 1-800-528-9009.

## Comparing Traditional and Roth Accounts

	<b>Traditional Account</b>	<b>Roth Account</b>
You invest	Pre-tax dollars	After-tax dollars
Investment grows	Tax-deferred	
Income limitation	No income limitation	No income limitation like a Roth IRA
Withdrawals and earnings	Withdrawals of contributions and investment earnings are subject to federal and most state income taxes.	Withdrawals of contributions and investment earnings are tax-free if you are 59½ or older and have held the account for five years or more
Contribution limits*	Contribution limit is \$17,500 in 2013 (\$23,000 for employees 50 and over).	
Employer Match, if available	Made by your employer with pre-tax dollars to accumulate in the same account and be taxed as income at withdrawal	Made by your employer with pre-tax dollars to accumulate in a separate account and be taxed as income at withdrawal
When changing jobs	You can roll it into your new traditional 401(k) plan or an IRA	You can roll it into a new Roth 401(k) plan or a Roth IRA

\* Total combined pre-tax and Roth contributions to all qualified retirement plans cannot exceed \$17,500 in 2013.

Sources: “Is a Roth 401(k) account right for you?,” *US News & World Report*, 8/10/07

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