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
- Talk to a financial advisor about your situation
- Call 1-800-528-9009 to get started

- **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
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.

## Comparing Traditional and Roth Accounts

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

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

### 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.

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

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