What is a Roth 401(k)?

The Roth 401(k) is a type of employee contribution that is available as part of the Ukpeaġvik Iñupiat Corporation Employees' Retirement Plan. The Roth 401(k) feature allows you to save money in your retirement account through payroll deductions on an after-tax basis. Depending on your situation, Roth 401(k) contributions may provide you with more savings at retirement than traditional pretax contributions. The benefit of making Roth 401(k) contributions is that earnings on contributions can be withdrawn income tax free provided certain criteria are met.

You have the option of choosing traditional pretax 401(k) contributions, Roth 401(k) contributions, or even a combination of both. Please keep in mind, the combined total of all your contributions cannot exceed the annual IRS contribution limit of $19,500 for the current year ($26,000 if you are eligible for catch-up contributions*).

Factors to consider

- **Time until retirement** — The longer you have to save, the more time your earnings have the potential to grow tax-free.
- **Income tax assumptions** — Roth 401(k) may appeal to those who expect their tax rate(s) in general to rise.
- **Impact to your paycheck** — Contributing the same dollar amount to the plan with after-tax Roth 401(k) contributions will cost more up front than the same amount contributed on a pretax basis.
- **Tax diversification** — Since we don't know what tax rates will be when we retire, you may want to consider making both Roth 401(k) and pretax contributions to your plan.
- **Eligibility for a Roth IRA** — Some people who earn a high income today can't contribute to a Roth IRA because of the modified adjusted gross income (MAGI) limits. This restriction doesn't apply to the Roth 401(k).
- **Matching contributions** — Ukpeaġvik Iñupiat Corporation will match your Roth 401(k) contributions $1.00 for every $1.00 you contribute, up to 3% of your pay. Keep in mind, any employer matching contributions will be considered taxable upon distribution.

The Roth Calculator helps you compare Roth to pretax contributions. To use the calculator, sign on to your account at **wellsfargo.com,** then select **Shortcuts** at the top of the page.

Taking money out

A **withdrawal** from a Roth 401(k) is not taxed if the withdrawal is considered a "qualified distribution." To be considered a qualified distribution:

1. The withdrawal must be taken after death, disability or upon reaching age 59 ½;

   and,

2. The withdrawal must occur at least five years after you make your first Roth 401(k) contribution.**

If you leave employment, you have the option to **roll over** your Roth 401(k) contributions to a Roth IRA or to a new employer's plan if it allows Roth 401(k) contributions and Roth 401(k) rollovers.

Please keep in mind that rolling over your qualified employer-sponsored retirement plan (QRP) to an IRA is just one of multiple options for your retirement plan.*** Each of the following options are different and may have distinct advantages and disadvantages.

- Leave assets in your former QRP, if plan allows
- Leave IRA at current custodian/trustee
- Move assets to your new/existing QRP, if plan allows
- Cash out or take a lump-sum distribution

Each of these options has advantages and disadvantages and the one that is best depends on your individual circumstances. You should consider features such as investment options, fees and expenses, and services offered. A financial advisor can help educate you regarding your options so you can decide which one makes the most sense for your specific situation. Before you make a decision, read the information provided in this piece to become more informed and speak with your current retirement plan administrator, and tax professional before taking any action.

How to enroll in Roth 401(k)

To begin making Roth contributions into your investment account, you must utilize the Human Capital Management (HCM) site. To enroll, select the **Life Event** tab on your personal home page. Select **I want to enroll or change my 401K**. Follow the prompts to elect your desired contribution percent on a Roth basis. Make sure to click **Submit** to save your selections.

Investment in Retirement Plan:

NOT FDIC-Insured • No Bank Guarantee • MAY Lose Value

*Age 50 or older (before Dec. 31) and the plan permits these contributions.

**The five-year requirement starts with the first day of the taxable year (generally January 1) of the year the contribution is made and ends when five consecutive taxable years have passed.

***When considering rolling over your QRP assets, key factors that should be considered and compared between QRPs and the IRAs include fees and expenses, services offered, investment options, when penalty-free withdrawals are available, treatment of employer stock, when required minimum distribution begin and protection of assets from creditors and bankruptcy. Investing and maintaining assets in an IRA will generally involve higher costs than those associated with QRPs. You should consult with the plan administrator and a professional tax advisor before making any decisions regarding your retirement assets.

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