



# Roth Contributions Frequently Asked Questions

## CONTRIBUTIONS

**What are Roth contributions?**

Roth contributions are made on an after-tax basis. Roth contributions and any earnings on those contributions are federal tax-free upon distribution if the distribution is a “qualified distribution.”

**How are Roth contributions different from traditional pre-tax contributions?**

Traditional contributions are made on a pre-tax basis, reducing your current taxable income at the time you make the contribution. Traditional pre-tax contributions, and any potential earnings on those contributions, are subject to ordinary income taxes upon distribution.

Roth contributions are made on an after-tax basis, so the amount you contribute is included in your W-2 for the year in which you make your contribution. Because you already paid income tax on your Roth contributions, when qualified, a withdrawal of your Roth contributions is always 100% federal income tax-free. You must meet a few basic requirements, however, before any distribution becomes “qualified.”

**Can I contribute both pre-tax and Roth contributions in the 457(b) DCP?**

Yes. You can choose to contribute traditional pre-tax contributions, Roth contributions, or both.

**How much can I contribute to the 457(b) DCP if I make pre-tax and Roth contributions?**

The annual IRS limit applies to the combination of pre-tax and Roth contributions within all Deferred Compensation plans that you contribute to in the same year. For 2023, the limit is \$22,500. If you are age 50 or older as of December 31, 2023, you can contribute up to \$30,000, which includes a \$7,500 catch-up contribution.

For your contribution limits, please reach out to your dedicated Retirement Counselor.

## CONTRIBUTIONS (CONTINUED)

<b>Can any or all of my catch-up contributions be Roth contributions?</b>	Yes. You can choose to make your catch-up contributions as pre-tax contributions, Roth contributions, or a combination of both.
<b>Must I make Roth contributions?</b>	No. The choice to make pre-tax or Roth contributions is voluntary. No changes will be made to your current election unless you choose to do so.
<b>How do I decide which contribution type is better for me?</b>	<p>Choosing between pre-tax or Roth contributions is a personal decision based on your own situation and priorities. Here are some questions you may want to consider:</p> <ul style="list-style-type: none"><li>• Do you expect your federal tax rate in retirement to be higher than it is currently?</li><li>• Do you intend to keep your account in the DCP for at least five years?</li><li>• Do you want to minimize your taxable income during retirement?</li><li>• Do you want to leave income tax free money to your heirs?</li><li>• Can you afford to contribute the same amount into your account and pay taxes on that amount today?</li></ul> <p>If you answered "yes" to any of these questions, designating all or a portion of your contributions as Roth may be beneficial.</p> <p>Neither Empower nor any of its representatives are tax or legal advisors. You are encouraged to consult with your individual legal or tax advisor with any specific questions.</p>
<b>Can anyone make Roth contributions?</b>	Yes. Any employee can make Roth contributions. There is no income limit on Roth 457(b) contributions.
<b>Do I need to set up another account to make Roth contributions?</b>	<p>No. You just need to select an allocation percentage for your Roth contributions. You may do this online by logging in to your account at <a href="https://prudential.com/nassaucounty">prudential.com/nassaucounty</a>. The contributions will be made to your existing 457(b) account.</p> <p>If you do not have an existing account, you may enroll and begin making Roth and/or pre-tax contributions at any time. Simply visit <a href="https://prudential.com/nassaucounty">prudential.com/nassaucounty</a> or contact your dedicated Retirement Counselor.</p>
<b>Can I change my pre-tax contribution election to a Roth contribution election?</b>	You simply need to designate future contributions as Roth contributions. Please visit the website listed above and log in to your account to amend your contribution election.
<b>How do I keep track of my pre-tax and Roth contributions?</b>	Roth contributions will be tracked separately, both on your paycheck and in your account at Empower. Roth contributions will be listed as a separate "source" of money on the participant website and on your quarterly statement.
<b>Can I roll other outside Roth plans into my 457(b) DCP?</b>	The only acceptable Roth rollovers must come from a qualified Roth 457(b), 401(k), or 403(b) plan. Roth IRAs are NOT accepted as eligible rollover-ins.

## ROTH 457(b) VERSUS ROTH IRA

How are Roth contributions to the 457(b) different from a Roth IRA?

The ability to make Roth contributions to the 457(b) is not subject to the income restrictions of a Roth IRA. The 457(b) also allows for higher contribution amounts (as an example in 2023 you have the ability to contribute \$22,500, versus \$6,500 in an IRA). Unlike the Roth IRA, however, Roth contributions to the DCP are subject to minimum distribution rules beginning at age 72 or separation from service, whichever is later.

Can I make Roth contributions to the 457(b) and to a Roth IRA?

Making Roth contributions to the 457(b) does not impact your eligibility to make separate Roth IRA contributions. Based on your income, however, you may not be able to contribute to a Roth IRA.

## LOANS

Can I take a loan from my Roth account?

Yes. Loans are available from the Roth source.

## INVESTMENT OPTIONS

Are there different investment options for Roth contributions?

No. The same investments will be available for Roth contributions, and your existing investment direction will apply to any Roth contributions you make unless you make a change.

## CONVERTING EXISTING 457(b) SAVINGS TO THE ROTH OPTION

Can I convert my existing pre-tax money to Roth money?

No. The 457(b) does not allow the conversion of existing pre-tax money to Roth money.

## WITHDRAWALS

Are there withdrawal restrictions on Roth money?

Withdrawals of Roth contributions and earnings are subject to the same distribution rules as pre-tax contributions and earnings. You may take a distribution when one of the following events occurs:

- Your employment ends.
- You qualify for an Unforeseen Emergency as defined by the plan or attain age 59½.
- You become permanently disabled.
- Your death. Your beneficiary is entitled to your account balance when you die.

If the withdrawal of your Roth money is a “qualified distribution,” the withdrawal will not be taxable.

Are Roth assets able to be used for the purchase of prior credit in my pension plan?

No. Only assets in your pre-tax account are eligible to purchase prior credit in your pension plan. Note: Transfers from all Roth sources are not permitted to purchase this credit.

## WITHDRAWALS (CONTINUED)

**When is a withdrawal of my Roth money a “qualified distribution?”**

Any distribution from your DCP must first meet the requirements described above. For a withdrawal of Roth money to become a qualified distribution, it must be made after a five-taxable-year period of participation and after you attain age 59½, become disabled, or die.

If your withdrawal of Roth money is a qualified distribution, potential earnings on your Roth contributions are not subject to federal income taxes upon withdrawal. Qualified Roth distributions may be subject to state and local income tax.

**What is a five-taxable-year period of participation? How is it calculated?**

The five-taxable-year period of participation begins on the first day of the calendar year in which you make your first Roth contribution to the DCP and ends when five consecutive calendar years have passed.

**What if I take a distribution of my Roth money before it is “qualified”?**

If you do not do a rollover to a Roth IRA or to an employer plan that accepts Roth contributions, you will be taxed on the earnings portion of the distribution. The contribution portion of the nonqualified distribution is not taxed.

The contribution portion of the distribution is determined by multiplying the amount of the nonqualified distribution by the ratio of your Roth contributions to your total Roth money. For example, if you take a nonqualified distribution of \$5,000 of your Roth money when your total Roth money consists of \$9,400 of Roth contributions and \$600 of earnings, your distribution will consist of \$4,700 of Roth contributions (that are not taxable) and \$300 of earnings (that are taxable).

**Are minimum distributions required for my Roth money?**

Yes. Roth money in the 457(b) is subject to minimum distribution rules at age 72 or separation from service, whichever is later.

**What happens to my Roth money if I separate from service?**

If you separate from service, the same options apply to both your Roth and pre-tax money. With your Roth money, you can:

- Leave your Roth money in the 457(b) (subject to the 457(b)'s minimum distribution rules).
- Take a full, partial lump-sum or systematic distribution.
- Roll over your Roth money to a Roth IRA.
- Roll over your Roth money to an employer plan that accepts Roth contributions.



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