



LEARN MORE ABOUT THE ROTH OPTION

The Roth option

Your retirement plan offers an additional way to contribute. In a traditional qualified plan, contributions are made with pre-tax dollars. Once you retire and begin taking distributions from the plan, your contributions and earnings are taxed as ordinary income.

With the Roth option, you pay your taxes up front. Roth contributions are made with after-tax dollars, which means that first you are taxed on the full amount you earn and then your contribution is deducted. Your earnings accumulate tax free and, in general, distributions (both principal and earnings) are tax free when you retire.

As always, Roth contributions are deducted directly from your paycheck, and you are free to choose how your money is invested. If you take a distribution prior to age 59½ or within five years of the first Roth contribution, taxes and penalties may apply.

A new retirement preparation choice

	Traditional	Roth
Tax-deferred contributions	Yes	No
Tax-free distributions	No	Yes
Maximum annual contributions	\$19,500 (in 2021)	\$19,500 (in 2021)
Catch-up contributions allowed?	Yes; \$6,500 annual maximum (in 2021)	Yes; \$6,500 annual maximum (in 2021)

To determine whether the Roth option is suitable for you visit www.indygov457plan.com.

Roth tax-free distributions must meet tax law requirements. Traditional and Roth contributions are combined in determining maximum plan contributions and catch-up contributions. Your plan's limits may differ from this amount. Catch-up contributions may not be allowed by your plan.

Who should consider the Roth option?

The Roth option is not for everyone. It may be advantageous if you believe you'll be in a higher tax bracket when you retire or if you prefer to reduce your future tax liability instead of your current tax liability.

If you wish, you can also make both traditional and Roth contributions in the same year. The two contribution types must be kept in separate accounts, and your total retirement plan contributions (traditional and Roth) cannot exceed your plan's annual contribution limit.

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