

# Understanding the Roth 401(k)



	Before-Tax	Roth
<b>Taxes</b>	Reduces taxable income	Does not reduce taxable income
<b>Matching</b>	Caterpillar match is made on a before-tax basis	
<b>IRS Salary Deferral Limits</b>	\$23,000 \$30,500 (Age 50+)	
<b>Total Employee &amp; Employer Contribution Limits<sup>1</sup></b>	\$69,000 if under age 50 \$76,500 if 50 and over	
<b>Distributions</b>	Distributions after age 59 ½ taxed as current income	Qualified distributions tax-free
<b>Penalties</b>	Prior to age 59 ½ subject to 10% early withdrawal penalty	Prior to 59 ½ subject to 10% early withdrawal penalty on earnings
<b>Rollovers</b>	Eligible for rollover to Traditional or Roth IRA	Eligible for rollover to Roth IRA

## Roth 401(k) vs. Roth IRA

- A 401(k) is an employer-sponsored retirement plan that can allow Roth contributions. An IRA is an individual retirement account established independent from your employer.
- The Roth 401(k) has higher contribution limits, no income limitations, and is no longer subject to required minimum distributions.

## Roth IRA Income Limits

Single Filers – Income thresholds

Phased Out	No Contributions Allowed
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\$146,000      \$161,000

Joint Filers – Income thresholds

Full Contributions Allowed	Phased Out
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\$230,000      \$240,000



- Understand what Roth means and how it is different
- Evaluate the benefits of the contribution types
- View examples, use your resources and ask questions

## Frequently Asked Questions

**Can I contribute to Roth and before-tax at the same time?**

Yes. Remember contribution limits are on a combined basis.

**Does my employer match my Roth contributions too?**

Yes! However, employer matching contributions are always made on a before-tax basis.

**Can I invest Roth balances differently from before-tax?**

Your contributions will be invested on a pro-rata basis across your investment elections.

**Will my beneficiaries owe taxes on inherited Roth balances?**

Beneficiaries will generally retain the same tax benefits and will not owe taxes on inherited Roth balances.

Benefits website: [www.CatBenefitsCenter.com](http://www.CatBenefitsCenter.com)

Benefits Center: 877-228-4010 M-F 8AM – 6PM CT

Advisors: 877-228-4010, select “Investment Advice” M-F 8AM-8PM CT

Information here is provided solely to supplement the “Understanding the Roth 401(k)” presentation. This information should not be considered advice, and your information may warrant consideration of other alternatives. Please speak with your financial advisor and/or tax advisor.

<sup>1</sup> Total plan contribution includes before-tax, Roth, after-tax, and employer contributions.

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