

The Roth 401(k) — Is It Right for You?

Have you heard about the Roth 401(k)? Employers with 401(k) plans can offer this retirement savings option to their employees. From its name, you probably can guess that it combines certain aspects of a Roth IRA with a traditional 401(k) plan.

Here are some questions and answers that will give you an overview.

Who is eligible to contribute to a Roth 401(k)?

If your employer offers a 401(k) plan with a Roth feature, you can participate once you meet the plan's eligibility requirements. There are no income restrictions, so high-income individuals can contribute, too, subject to tax law limits (discussed next) and any plan limits that may apply. However, employers don't *have* to offer this retirement savings option. Check with your plan representative to see if your employer offers it.

How much can I contribute to a Roth 401(k) account?

You can contribute a maximum of \$17,500 in 2014 (\$23,000 if you are age 50 or older). If you make both regular 401(k) pretax contributions and Roth 401(k) contributions, your *combined* contributions can't exceed the \$17,500 limit (\$23,000 if 50 or older).

What are the tax advantages of a Roth 401(k)?

While Roth 401(k) contributions are made with after-tax dollars, the account grows tax free and "qualified" withdrawals will not be taxed. If you expect your tax bracket during retirement to be higher than it is now, making Roth 401(k) contributions instead of traditional 401(k) contributions may make sense for you.

When can I receive tax-free Roth 401(k) distributions?

Distributions must be "qualified" if they are to be treated as tax-free distributions. A distribution will be qualified if it is made after you reach age 59½, are deceased, or become disabled *and* it is made after five years have elapsed since your first Roth 401(k) contribution.

What happens to employer matching contributions?

Any employer matching contributions on Roth 401(k) contributions are made with pretax dollars, as with a traditional 401(k).

What if I switch jobs?

If you leave your employer, you can roll over your Roth 401(k) account assets to a Roth IRA or your new employer's plan, if it accepts such rollovers.

Will I have to take required minimum distributions (RMDs) from my Roth 401(k)?

Yes. Roth 401(k) accounts have the same RMD rules as traditional 401(k)s. So, once you reach age 70½ *and* are retired, you'll have to start taking RMDs each year from your Roth 401(k) account. Note that the rules are different for Roth IRAs. The minimum distribution rules don't apply during the lifetime of a Roth IRA owner.

Should you take advantage of the Roth 401(k)? Your financial professional can help you sort through the details and help you decide what retirement savings options are right for you.