

COMPANY BENEFITS*

Roth Contributions

“Roth contributions” might be one of those terms that you’ve heard before but aren’t sure what it means. And if your employer-sponsored 401(k) or 403(b) plan allows them, they could help you get more out of your savings when you retire.

How are Roth contributions different from regular contributions?

REGULAR CONTRIBUTIONS TO YOUR 401(K) OR 403(B)

- You don’t pay income taxes on the money when you contribute.
- You do pay income tax when you withdraw it.
- May be better if you think your tax rate will go down when you retire.

ROTH CONTRIBUTIONS

- You do pay income tax on the money right when you contribute it.
- You don’t pay income tax when you withdraw it, as long as you’re at least age 59 ½, and the money has been in your account for at least five years.
- May be better if you think your tax rate will be higher when you retire

Pay taxes now or later?

Figuring out whether you’ll pay more taxes now or when you retire can be tricky. However, as long as your employer’s plan allows it, you can make a combination of both regular and Roth contributions to help balance out what you owe.

Review your contributions at [principal.com](https://www.principal.com)

