

**Wellesley College Roth Option Information Sheet**

The Roth option offers another choice as you make your financial and investment decisions. Here are some of the reasons to consider the Roth option:

- The Roth option allows you to make after-tax contributions to the 403(b) Retirement Plan instead of – or in addition to – pretax contributions.
- The amount you contribute under the Roth option counts toward the maximum IRS contribution limits: currently \$18,000 per year or \$24,000 if you are at least age 50 by December 31. The Roth option is not subject to adjusted gross income limits (AGI) like a Roth IRA, which may allow you to set aside additional monies for retirement.<sup>1</sup>
- Earnings on your Roth contributions are tax free when they are withdrawn.<sup>2</sup>

Besides the contribution limits noted above, there are other advantages to the Roth option. Roth contributions may be advisable if:

- You are currently in a lower tax bracket;
- You expect your tax rate during retirement will be higher than your current rate;
- You are not eligible to make Roth IRA contributions currently because of a higher income rate; and/or
- You feel confident that your retirement income needs are met and want to leave a potentially tax free legacy to your beneficiaries.

This chart suggests what your preferred option(s) might be, based on your expected tax situation when you retire:

If you expect your tax rate during retirement will be:	Your preferred contribution option may be:
Higher than your current rate	<b>After-tax Roth contributions.</b> Because you will be paying taxes on your contributions as you go along, withdrawals (including earnings) are tax free. <sup>2</sup>
Lower than your current rate	<b>Pretax contributions.</b> While you will pay taxes on any withdrawals, you expect to be in a lower tax bracket once you retire.
The same as your current rate	<b>Either or both (Roth and/or pretax contributions).</b> Your tax advisor can help you determine what combination is best for your situation.

<sup>1</sup>AGI is the total of an individual's wages, salaries, interest, dividends, etc., minus allowable deductions.

<sup>2</sup> Important: Withdrawals of earnings prior to age 59½ are subject to ordinary income tax and a 10% penalty may apply. Earnings are tax free if the distribution is made no earlier than five years after contributions were first made and you are either age 59½ or older or permanently disabled. Your beneficiary will receive a distribution of any funds in your account if you were to die.

For more information, go to the Benefits website: [www.wellesley.edu/hr/benefits/retirement-program](http://www.wellesley.edu/hr/benefits/retirement-program).

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