WELLESLEY COLLEGE

HUMAN RESOURCES

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WORKING TOGETHER FOR YOUR FINANCIAL WELLNESS

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.[1]
- Earnings on your Roth contributions are tax free when they are withdrawn.[2]

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	**After-tax Roth contributions.** Because you will be paying taxes on your contributions as you go along, withdrawals (including earnings) are tax free.[2]
Lower than your current rate	**Pretax contributions.** 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	**Either or both (Roth and/or pretax contributions).** Your tax advisor can help you determine what combination is best for your situation.

[1] AGI is the total of an individual's wages, salaries, interest, dividends, etc., minus allowable deductions.

[2] 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.

Disclaimer: The tax information contained above is not intended to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. It was written to support the promotion of the products and services addressed here. Taxpayers should seek advice from an independent tax advisor based on their own particular circumstances.

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