Roth, an after-tax contribution option

Understanding how Roth may fit into your retirement planning

PRESENTED BY

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Today's agenda

ROTH CONTRIBUTION OPTION

SECURE 2.0 Act Section 603

Standard IRS limit regardless of age or salary in 2026 is $24,500

- Pretax, after-tax Roth, or a combination

2026 age-based catch-up contributions

- Required to be after-tax Roth for employees whose compensation in 2026 is more than $150,000.
- Wages are generally defined as FICA wages found on Form W-2, Box 3 “Social Security wages”

Age in 2026	IRS catch-up contribution limit
50-59	$8,000
60-63	$11,250
64+	$8,000

Compensation in 2025	Age-based contribution type
$150,000 or less	Pretax After-tax Roth Combination
More than $150,000	**Roth after-tax only**

* The TIAA group of companies does not give tax or legal advice. See your tax advisor regarding your particular situation.

The after-tax Roth contribution option

After-tax Contributions

Roth contributions are taken from your paycheck after taxes

Taxes

With the Roth option, your after-tax contributions have the potential to accumulate tax free upon withdrawal if certain conditions are met

Withdrawals

Withdrawals after age 59 ½ are tax free if the distribution is no earlier than five years after contributions were first made*

* Withdrawal of earnings prior to age 59½ are subject to ordinary income tax and a 10% penalty may apply. Earnings can be distributed tax free if distribution is no earlier than five years after contributions were first made and you meet at least one of the following conditions: age 59½ or older or permanently disabled. Beneficiaries may receive a distribution in the event of your death. For governmental 457(b) plans, withdrawals are only allowed following separation from service or when you reach your RMD Applicable Age. RMD Applicable Age is 70½ if you were born before July 1, 1949; 72 if you were born on or after July 1, 1949, or in 1950; 73 if you were born between 1951 and 1958; and 75 if you were born in 1960 or later. If you were born in 1959, federal guidance is needed to determine if your RMD Applicable Age is 73 or 75.

How employer plan after-tax Roth contributions differ from Roth IRAS

Employer plan after-tax Roth contributions

- Funded through payroll deductions
- Higher IRS contribution limits
  - Example: 403(b) 2026 Contribution limits
    - $24,500 or $32,500 if age 50 or older
    - $35,750 if age 60-63
- Not subject to income limits
- Withdrawals of principal and investment growth are comingled or combined
- Subject to 10% early withdrawal penalty before age 59.5

Roth IRAs

- Funded through electronic fund transfers or deposits from personal accounts
- Contributions capped at $7,500/yr or $8,600 if age 50 or older
- Withdrawals from principal or basis are available – no comingling
- Subject to early 10% withdrawal penalty before age 59.5
- Early withdrawal exemptions for specific cases:
  - First-time home purchase
  - Educational Expenses
  - Medical Expenses

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Why the after-tax Roth option may be right for you

You want to maximize your after-tax savings

You can use both the Roth contribution option and a Roth IRA, up to their respective IRS limits

You earn too much to contribute to a Roth IRA

After-tax Roth contributions to your retirement plan have no income limits

You expect to be in a higher tax bracket in retirement

Pay taxes on the contributions now – potentially at a lower tax rate

Receive money tax free when you retire

You want to pass on tax-free income to your heirs

After-tax Roth contributions may be tax free for your beneficiaries under certain circumstances

Comparing after-tax Roth and pretax contributions

Pretax contributions are taken from your paycheck before taxes*

- Lower your taxable income now
- Pay taxes on contributions and earnings upon withdrawal, usually in retirement
- Subject to Required Minimum Distributions (RMD's) starting at age 73
- Inherited amounts are subject to ordinary-income tax and the 10-year liquidation rule

After-tax Roth contributions are taken from your paycheck after taxes

- Do not lower your current taxable income
- Not subject to RMD's at age 73
- Inherited amounts are passed without incurring additional taxes, no 10-year liquidation rule.

* Distributions from 403(b) plans before age 59½, severance from employment, death, or disability may be prohibited, limited and/or subject to substantial tax penalties. Different restrictions may apply to other types of plans.

Comparing after-tax Roth and pretax contributions

Should you pay taxes now or later?

- If you anticipate a higher tax bracket in retirement, you may benefit from Roth contributions now
- If you anticipate a lower tax bracket in retirement, continued pretax contributions may be a better option

After-tax Roth contributions are another way to diversify

- You may not know today your tax situation at retirement
- Can't predict changes the government will make
- After-tax Roth contributions could potentially reduce taxes in retirement and/or balance other sources of taxable income

ROTH CONTRIBUTION OPTION

Comparing after-tax Roth and pretax contributions

	Roth after-tax contributions	Pretax contributions
Annual contribution	$3,000	$4,000
Annual tax savings	$0.00	$1,000
Effect on annual income	($3,000)	($3,000)
Future account value	$116,978	$155,971
Future account value (after taxes paid) - assuming 25% bracket before and after retirement	$116,978	$116,978
Future account value (after taxes paid) - assuming 25% bracket while working and 30% bracket after retirement	$116,978	$109,180
Future account value (after taxes paid) - assuming 25% bracket while working and 20% bracket after retirement	$116,978	124,777
* This illustration is hypothetical and not intended to represent the performance of any specific investment product and cannot be used to predict or project investment performance. Charges and expenses that would be associated with an actual investment are not reflected.		

Roth in-plan conversions

You may consider converting some or all of your pretax retirement plan savings to after-tax Roth contributions

— Pretax contributions and earnings on those contributions are eligible for after-tax Roth in-plan conversion

— Conversions are limited to once per calendar year

— You must be at least 59½ years old and eligible for a distribution under the plan, even if still employed

Conversions to after-tax Roth cannot be reversed after the transfer is made

— The amount converted treated as taxable income in the year of conversion

— You will be responsible for paying taxes on the full amount of the conversion as reported on Form 1099-R when you file your taxes. The taxes you owe will not be withheld from your account as part of the conversion.

You would need to complete either a printed or online Roth in-plan conversion form to convert any pretax contributions to after-tax Roth contributions

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Frequently asked questions

Q: How much can I contribute using the after-tax Roth contribution option?

A: The Internal Revenue Service announces contribution limits each year.

- Any combination of pretax and after-tax Roth contributions up to the IRS limits.
- 2026 IRS annual limits: **$24,500**; age 50-59 and 64+ **$32,500;** ages 60-63: **$35,750**.

Q: Are there special rules for catch-up contributions?

A: Yes. If your wages exceeded $150,000 in the prior year and you elect to make catch-up contributions, the IRS requires that your catch-up contributions are designated as Roth after-tax contributions.

Frequently asked questions

Q: Will my employer make pretax or after-tax Roth contributions?

A: In most situations, contributions will be made pretax.

— You will owe income tax on your employer's contributions and any earnings upon withdrawal.

Q: When can I take a tax-free withdrawal from my after-tax Roth balance?

A: Age 59½, no earlier than five years after the first contribution was made, or if you are permanently disabled. Beneficiaries may receive a distribution in the event of your death.

Frequently asked questions

Q: How is the five-year time frame for my after-tax Roth contributions determined?

A: It begins on the first day of the year in which the first after-tax Roth contribution is made to the plan.

- If you roll over your savings to another employer's retirement plan, you keep your original start date.
- If you roll over your savings into a new Roth IRA, your five-year time frame for the Roth IRA begins on the date you roll over the Roth retirement plan balances. **Your five-year period is not carried over to the Roth IRA with the money.**
- If you roll over your savings into an established Roth IRA, the five-year Roth IRA period begins with the date you made your first contribution to the existing Roth IRA and is unaffected by the transfer of Roth retirement plan option balances into that account.

Frequently asked questions

Q: Are there income limits with the after-tax Roth option?

A: There are no income limits for after-tax Roth contributions in an employer-sponsored retirement plan.

Q: Are after-tax Roth assets subject to IRS required minimum distribution rules?

A: If you participate in a retirement or deferred compensation plan, you are generally required to take minimum distributions at age 73 for your pretax contributions. Roth contributions in employer-sponsored retirement plans are no longer required to be included in RMDs for taxable years after December 31, 2023.

Q: Can I roll over my after-tax Roth savings from one employer's plan to another?

A: You can roll over your after-tax Roth contributions and any earnings in your Retirement Plan to another retirement plan if it accepts the funds.[1]

- You can roll over after-tax Roth retirement plan contributions to a Roth IRA, but the five-year period does not carry over.

[1]Prior to rolling over assets, you should carefully consider your other available options. You may also be able to leave money in your current plan, roll over money to an IRA, or cash out all or part of the account value. You should weigh each option carefully and its advantages and disadvantages, including desired investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and your unique financial needs and retirement plan. You should seek the guidance of your financial professional and tax advisor prior to rolling over. Learn more at **TIAA.org/knowyouroptions**

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