



Understanding Roth Contributions

Spectrum Health System 403(b) Plan



Your plan offers two ways to save

→ Traditional pre-tax contributions

Your contributions come out of your pay before taxes are deducted, so you may save on your taxes now. In fact, every pre-tax dollar you contribute costs less than a dollar in take-home pay.

Potential benefits

- A more secure financial future
- Current tax savings (lower your taxable income, so you may pay less in taxes now)
- Deferred taxes on your potential earnings

Potential drawback

- You pay taxes when you withdraw your savings, and your tax rate might be higher than when you contributed the money. Withdrawals before age 59½ may also be subject to a 10% federal income tax penalty and plan restrictions.

→ Roth after-tax contributions—Available March 1, 2022

Roth contributions come out of your pay after taxes have been withheld. Your take-home pay is adjusted accordingly (i.e., dollar for dollar); however, your contributions are not taxed upon withdrawal. Investment earnings are not subject to federal taxes if you hold the account for five or more years from January 1 of the year of your first contribution, and you are at least age 59½, become disabled, or have died.

Potential benefits

- A more secure financial future
- Tax-free withdrawal of your contribution amount and, if you qualify, potential tax-free growth and tax-free withdrawal of your investment earnings as well

Potential drawback

- There are no current tax breaks

Need help deciding which option is best for you?

Scan the QR code or visit www.spectrumhealth-retire.com/Personal-Assistance.aspx to schedule a free virtual consultation with a retirement counselor.



At a glance: your contribution choices

Key features	Pre-tax	Roth
Contribute pre-tax dollars	✓	✗
Contribute after-tax dollars	✗	✓
Total current year contribution limit	1% to 100% of pay (up to \$20,500; \$27,000 if age 50+) Totals represent any combination of Roth and pre-tax contributions.	1% to 100% of pay (up to \$20,500; \$27,000 if age 50+) Totals represent any combination of Roth and pre-tax contributions.
Account can grow tax-deferred	✓	✓
Federal tax-free withdrawals	✗	Contributions always, earnings must qualify*
Eligible for company match	✓	✓
Available for loans	✓	✓
In-service withdrawals	✓	✓
You might benefit if	<p>You expect your tax rate to be lower when you withdraw than when you contribute</p> <p>You're behind in saving and think Social Security could be a main source of retirement income</p> <p>You're a mid or high earner and would rather lower your current taxable income</p> <p>You're willing to risk paying higher taxes later so that you can have more take-home pay today</p>	<p>You expect your tax rate to be higher when you withdraw than when you contribute</p> <p>You're on track for retirement savings, or you're saving a lot and think you could be in a higher tax bracket when you retire</p> <p>You're willing to trade less take-home pay today for potentially more income in retirement</p> <p>You don't earn a lot today, so you don't expect to gain much from a current tax break</p> <p>You earn too much to contribute to a Roth IRA but want to take advantage of a Roth account</p>

You might benefit from **both** pre-tax and Roth if you're not sure what your future income (or tax bracket) will be and want to "diversify your tax risk."

More information about Roth contributions

→ Roth 403(b) frequently asked questions

Q: Can I contribute both pre-tax and Roth contributions?

A: Yes. You can choose to contribute pre-tax contributions, Roth contributions, or a combination of both. The annual IRS limit applies to the combined contribution amount. For 2022, the limit is \$20,500, and if you are age 50 or older you can contribute an extra \$6,500 for a total contribution amount of \$27,000.

Q: Can I contribute to a Roth IRA and a Roth 403(b)?

A: Yes. Your participation in a Roth 403(b) plan has no impact on your ability to contribute to a Roth IRA. You can contribute to both assuming you meet the Roth IRA income limits.

Q: My income is too high to make Roth IRA contributions. Can I make Roth contributions to the Spectrum Health 403(b) Plan?

A: Yes. Because the Spectrum Health 403(b) Plan is an employer plan, it does not have income limits. Anyone who is eligible for the plan can make Roth contributions, up to the annual IRS limits.

Q: Can any or all of my catch-up contributions be Roth contributions?

A: Yes. You can choose to make your catch-up contributions as either pre-tax contributions, Roth contributions, or a combination of both.

Q: Can I change my pre-tax contribution election to a Roth contribution election?

A: Yes. You simply need to designate future contributions to be Roth contributions. Log in to your account and update your contributions at www.spectrumhealth-retire.com.

Q: How do I keep track of my pre-tax and Roth contributions?

A: Roth contributions will be tracked separately both on your paycheck and in your account at Prudential Retirement®.

Q: How will my Roth distributions become “qualified”?

A: For Roth distributions to become qualified, and therefore not subject to federal income taxes upon withdrawal, your first Roth contribution must have been made five consecutive calendar years before your first withdrawal (going back to January 1 of year 1); and you must be age 59½ or older, disabled, or deceased when withdrawals begin. Once the Roth withdrawal is qualified, any earnings on Roth contributions are not taxed.

Q: What if I take a distribution from my Roth contributions before they become qualified?

A: In any distribution from the Roth portion of your account, you receive a proportionate amount of both your principal contributions and any earnings. If you take a Roth distribution before it is qualified, the portion of your distribution that represents earnings will be included in your gross income for the year and subject to ordinary income tax. However, the percentage that represents your contributions will not be included in your gross income and is not taxable, because you have already paid taxes on those contributions.

Q: Can I roll another Roth plan into the Spectrum Health System 403(b) Plan?

A: Yes, another Roth 403(b) or a Roth 401(k) plan can be rolled into the plan. However, a Roth IRA cannot be rolled into the plan.

Next Steps

To make contributions of any kind, consider logging in to your account at www.spectrumhealth-retire.com and click on “Contributions” under “Manage Account” in the left-hand navigation bar. Enter the percentage or amount of your pay that you want to contribute.



➔ Get personal assistance

Dedicated retirement counselors are available to answer your questions. Schedule a free virtual one-on-one consultation at www.spectrumhealth-retire.com/Personal-Assistance.aspx

*Amounts withdrawn, except for qualified withdrawals from a Roth 401(k), or 403(b), or 457(b) account, are generally taxed at ordinary income tax rates. Amounts withdrawn before age 59½ may be subject to a 10% federal income tax penalty, applicable taxes, and plan restrictions. Neither Prudential Financial nor any of its affiliates provide tax or legal advice for which you should consult your qualified professional.

This material is intended to provide information only. This material is not intended as advice or recommendation about investing or managing your retirement savings. By sharing this information, Prudential Retirement® is not acting as your fiduciary as defined by the Department of Labor or otherwise. If you need investment advice, please consult with a qualified professional.

Retirement counselors are registered representatives of Prudential Investment Management Services LLC (PIMS), Newark, NJ, a Prudential Financial company.

Prudential Financial and its representatives are not tax or legal advisors. Consult your own legal or tax advisor with specific questions.

Retirement products and services are provided by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT, or its affiliates. Prudential Retirement is a Prudential Financial business.

© 2022 Prudential Financial, Inc. and its related entities. Prudential, the Prudential logo, and the Rock symbol are service marks of Prudential Financial, Inc. and its related entities, registered in many jurisdictions worldwide.

1056553-00001-00

SPECT_BR_RE9_01
02/2022