



Roth 401(k) Frequently Asked Questions

Review the FAQs below to learn more about the Roth 401(k).

Q. What is a Roth 401(k)?

A. The Roth 401(k) is a type of employee contribution available as part of the Ukpeagvik Inupiat Corporation Employees' Retirement Plan. Unlike pretax contributions, Roth 401(k) contributions are made on an after-tax basis, meaning you pay current federal and if applicable, state and local taxes in the year contributions are made. Withdrawals of earnings and contributions are tax-free if certain criteria are met.

Q. Do I have the option to make both Roth 401(k) and pretax contributions to my retirement plan?

A. Yes, you have the option of making both Roth 401(k) and pretax contributions to your retirement plan, subject to the terms of your employer's plan. However, the annual dollar limit for contributions applies to your combined contribution total. The limit in 2012 is \$17,000 or \$22,500 if you are making catch-up contributions. A lower limit may apply if your retirement plan has set a lower contribution limit than the IRS limit. Keep in mind you also have the option to make only pretax contributions or only Roth 401(k) contributions.

If you are making both types of contributions to your retirement plan, the balances will be shown separately on your account statement.

Q. What is the tax treatment of contributions made to a Roth 401(k) compared to a traditional 401(k)?

A. Contributions to a Roth 401(k) are made on an after-tax basis and are **not** excluded from your taxable income in the year of the contribution. Therefore, if you designate a portion of your contributions as Roth 401(k) contributions, they lose any immediate tax advantages.

However, Roth 401(k) contributions, and the earnings on those contributions, are not subject to taxation when distributed from the plan, if:

- You have attained the age of 59 ½ (or upon death or disability); **and**,
- Five years have passed since you made your first Roth 401(k) contribution*.

Contributions to a traditional 401(k) are made on a pretax basis, so they are excluded from your taxable income. But when you withdraw your money from the plan, the pretax contributions and any earnings are typically taxed at ordinary income-tax rates.

Q. What are some advantages of the Roth 401(k) feature?

A. Some of the key benefits to making Roth 401(k) contributions are:

- Qualified distributions of Roth 401(k) contributions and tax free earnings.
- Contributions are not subject to the income caps that apply to the Roth IRA.
- Roth 401(k) contributions are matched by UIC (match dollars are made pretax and taxable upon distribution)
- Higher annual contribution limits under Roth 401(k) than Roth IRA.
- Roth 401(k) contributions are eligible for rollover to a Roth IRA or qualified retirement plan accepting Roth 401(k) rollovers.

Q. In addition to the key benefits above, what else should I know about Roth 401(k) contributions?

A. Other considerations of the Roth 401(k) include:

- Distributions are not considered qualified unless they are taken after the applicable five-year period* and being at least 59 ½ years old (or upon death or disability).
- Contributing the same dollar amount to the plan with after-tax Roth 401(k) contributions will cost more up front than the same amount contributed on a pretax basis.
- Roth 401(k) contributions are subject to the minimum distribution rules at age 70 ½, while Roth IRAs are not.

Q. Would I benefit from making Roth 401(k) contributions?

A. There are many variables to consider when determining if Roth 401(k) contributions make sense for you. However, there are three main factors to include in your decision making process: 1) your current tax rate, 2) your expected tax rate in retirement, and 3) the length of time until you retire.

Roth 401(k) contributions generally provide an advantage if you will be in a higher tax bracket at the time you withdraw your contributions because you will have paid lower taxes at the time you made your contributions. And, the longer you have until retirement, the more time the earnings on Roth 401(k) contributions have to compound and the greater the amount of tax-free dollars available to be withdrawn at retirement.

Traditional 401(k) contributions may be more appropriate if you expect to be in a lower tax bracket during retirement or you need the pretax savings today.

Since it is difficult to predict what tax rates may be 10, 20, or even 30 years from now, you may want to consider making both pretax contributions and Roth 401(k) contributions as a way to diversify your tax situation at retirement. Just as you would consider diversifying your assets between different asset classes and investment styles, you may also want to consider the Roth 401(k) as a way to diversify the risks associated with pretax savings. **Keep in mind these are only general guidelines and you should speak to a qualified financial advisor to help you determine which savings option is best for your specific situation.**

Q. Is there a tool available to help me determine how to invest my savings?

A. Yes, you can use the Roth 401(k) Calculator to create different savings scenarios comparing potential Roth and pretax balances at retirement. To access the calculator, sign on to your account on the Wells Fargo Retirement Plan Website at wellsfargo.com/retirementplan. Select the *Roth 401(k) Calculator* in the *Planning and Education* Tab.

If this is the first time accessing your account online, click on *First Time User*. You'll need your Social Security number and your date of birth in mm/dd/yyyy format. For example, May 8, 1971, should be entered as 05/08/1971.

Q. How can I start making Roth 401(k) contributions?

A. If you are already enrolled in your company's retirement plan, access your account at wellsfargo.com/retirementplan. Select the *Actions & Investments* tab, and then the *Payroll Deductions* link. Enter the contribution percentage you want to make to a Roth 401(k).

If you are not already participating in your company's retirement plan, you must first enroll online at wellsfargo.com/retirementplan. To access the website for the first time, click on *First Time User*. You'll need your Social Security number and your date of birth in mm/dd/yyyy format. For example, May 8, 1971, should be entered as 05/08/1971.

To enroll by phone, call the Retirement Service Center at **1-800-728-3123**. You'll need your Social Security number (SSN) and your personal identification number (PIN), which is initially the last four digits of your SSN. You'll be required to change your PIN the first time you call. Retirement service representatives are available to answer your questions Monday through Friday, from 3:00 a.m. to 7:00 p.m. Alaska Time.

*The five-year requirement starts with the first day of the taxable year (generally January 1) of the year the contribution is made.

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