Frequently asked questions pertaining to Roth 401(k), contributions, after-tax contributions, and the Roth in-plan conversion feature

Is a Roth in-plan conversion right for you? The following frequently asked questions help explain Roth contributions and Roth in-plan conversions as well as what transferring assets to this kind of account may mean for you.

Section One: Roth and after-tax contributions

1. **What are Roth contributions?**
   You may designate a percentage of your paycheck to be contributed to your workplace retirement plan as Roth contributions. Roth contributions are considered optional and are made on an ***after-tax basis.*** Roth accounts were designed to combine the benefits of saving in your tax-deferred workplace savings plan with the advantage of avoiding taxes on your money when you make withdrawals in retirement. Think of contributions to your workplace retirement plan as having three separate buckets: pretax, Roth, and after-tax.

   When you retire or leave your employer, earnings on your Roth contributions can be **withdrawn tax free** as long as it has been:

   - ***Five tax years*** since your first Roth contribution and
   - You are at least ***59½ years old.***

   In the event of your death, beneficiaries may be able to receive distributions tax free if you had started making Roth contributions earlier than five tax years prior to the distribution. In the event of disability, your earnings can be withdrawn tax free if the date of withdrawal has been five tax years from your first Roth contribution.

   Roth contributions fall under the same IRS limits as pretax contributions to your plan, so each dollar of a Roth contribution reduces the amount that can be contributed pretax (and vice versa).

   - In 2023, the total combined IRS contribution limit for Roth and/or traditional pretax contributions is $22,500.
   - If you are age 50 or older in the calendar year, you may make an additional ***catch-up contribution*** of $7,500 in 2023, bringing your total pretax and/or Roth contribution to $30,000 for the year.

2. **What are the similarities and differences between Roth contributions and traditional pretax contributions?**
   Roth contributions are similar to traditional pretax contributions in the following ways:

   - You elect how much of your salary you wish to contribute.
   - Your Roth and traditional pretax contributions cannot exceed IRS limits.
   - Your contribution is based on your eligible compensation.

   But, unlike traditional pretax contributions, Roth contributions allow you to withdraw your money tax free when you retire.[1] And income taxes will be withheld from your after-tax Roth contributions, so your take-home pay may be less than it would be if you made an equal traditional pretax contribution.

3. **How are Roth contributions to a workplace retirement plan different from Roth IRA contributions?**
A Roth IRA (individual retirement account) is an account that is outside your workplace retirement savings plan, whereas Roth contributions exist within your retirement savings plan. You may contribute to a Roth IRA only if your adjusted gross income falls below a certain amount. There are no adjusted gross income limits for Roth contributions in your workplace retirement plan.
Contributions to both your Roth workplace retirement plan and Roth IRA have annual contribution limits.
   - The 2023 contribution limit for a **Roth IRA** is $6,500 per year or $7,500 if you are age 50 or older and eligible to make catch-up contributions.
   - The **combined** IRS contribution limit for both Roth and traditional pretax contributions if you are under age 50 is $22,500. If you are over age 50 and eligible to make a $7,500 catch-up contribution, the limit is $30,000.
   - With a Roth IRA, you do not have to take a **required minimum distribution (RMD)** during your lifetime, but with Roth contributions in your workplace retirement plan, you will have to take RMDs, generally after you have retired and attained age 72. (Note: The change in the RMD age requirement from 70½ to 72 applies only to individuals who turn 70½ on or after January 1, 2020. Please speak with your tax advisor regarding the impact of this change on future RMDs.)

4. **If I am already contributing $6,500 per year to a Roth IRA, am I still allowed to make pretax and Roth in-plan contributions up to the $22,500 annual limit for 2023?**
Yes. You may make pretax and Roth in-plan contributions up to the annual limit ($22,500 for 2023, or $30,000 if you are catch-up eligible), even if you have already contributed the annual maximum amount to a Roth IRA.

5. **How are Roth contributions different from regular after-tax contributions?**
Regular after-tax contributions are similar to Roth contributions in that both are made ***after taxes have been paid*** on your income. However, there are two key differences:
   - Earnings on regular after-tax contributions **are taxable** when distributed.
   - Regular after-tax contributions are not limited to $22,500. Instead, they are part of the larger $66,000 annual additions limit for 2023, which is the total amount that can be contributed to a workplace savings account, including employee and employer contributions and excluding the age 50 catch-up contribution.

The table below summarizes the different types of contributions and the tax implications of each.

	PRETAX CONTRIBUTIONS	ROTH CONTRIBUTIONS	AFTER-TAX CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS
Are contributions taxed when made?	No	Yes	Yes	No
Are contributions taxed when distributed?	Yes	No[1]	No*	Yes
Are earnings taxed when distributed?	Yes	No[1]	Yes*	Yes
What are the IRS annual limits?	$22,500 for 2023 for employee pretax and Roth contributions		$66,000 for 2023, including employee pretax, Roth, after-tax, AND employer contributions	
What is the catch-up contribution for a person age 50 or older?	An additional $7,500 for 2023.			
	A catch-up contribution may be made on a pretax or Roth basis and is in addition to the combined pretax and Roth $22,500 annual limit, as well as the $66,000 annual additions limit, which applies to the total contributions made to your 401(k) across pretax, Roth, after-tax, and employer contributions.			

*A partial distribution from a qualified plan must include a proportional share of the pretax and after-tax amounts in the account. Therefore, while the portion of your distribution associated with your after-tax contribution is not taxable, the portion of your distribution associated with any pretax contributions or earnings on pretax or after-tax contributions is taxable.

6. How can I maximize my contributions using a combination of pretax, Roth, after-tax, and (if age 50 or older and eligible) catch-up contributions?

	AGE 49 OR YOUNGER	AGE 50 OR OLDER
1. Contribute the maximum amount on a pretax and/or Roth basis.	$22,500	$22,500
2. Contribute the maximum amount on an after-tax basis, up to the annual additions limit of $66,000.	$40,500[†]	$40,500[†]
3. Take advantage of the additional catch-up contribution if age 50 or older.	N/A	$7,500
Total contribution	**$63,000**	**$70,500**

[†]Your after-tax contribution amount may be reduced by the amount of employer contributions to your plan account, if applicable.

Section Two: Roth in-plan conversion

1. **What is a Roth in-plan conversion?**
   A Roth in-plan conversion allows you to move money you have saved in an eligible workplace retirement plan into a designated Roth account within that plan. The following are two types of in-plan conversions that are offered, provided that certain conditions are met and conversions are allowed by your plan:

   - A Roth in-plan conversion involves taking an available, rollover-eligible distribution from your workplace savings plan and directly rolling it over to a Roth account within the same plan. Examples of eligible assets may include your own contributions, contributions from your employer, or assets rolled in from a former employer.
   - An expanded in-plan conversion allows for eligible vested plan balances to be rolled over to a designated Roth account within your workplace savings plan, even if those amounts are not currently available for withdrawal.

2. **Will the converted assets in the Roth account be eligible for withdrawal?**
   This depends on your individual situation. If you convert money that was already immediately available for a withdrawal, this money will still be immediately available. However, if you convert money that was not available for a withdrawal, those assets will remain unavailable for a withdrawal, just as before the conversion. Refer to ***Section One, Question 1*** for withdrawal eligibility requirements.

   Even if you are eligible for a withdrawal, please note that certain criteria must be met to receive tax-free Roth withdrawals.

3. **How do I convert my money to a Roth account within my plan?**
   Because the conversion of non-Roth money to a Roth account within your plan is a complex decision, all transactions are conducted through our highly trained telephone representatives. If you wish to request a transaction or simply speak with a representative about your options, please call your plan's toll-free number to speak with a Fidelity representative. The representative will review your account with you and provide you with available options for completing a Roth in-plan conversion. You must call Fidelity to request a Roth in-plan conversion each time to you want to convert eligible contributions.

4. **Does Fidelity charge a fee to convert to a Roth account?**
   No. Fidelity does not charge a fee to convert eligible contributions to an in-plan Roth account.

5. **Do I pay taxes on after-tax contributions that I convert to a Roth?**
   The answer is twofold:

   - You do not have to pay taxes on the ***base contribution,*** which was deducted from your paycheck ***after*** taxes were withheld.
   - You do have to pay taxes on any ***earnings that accrued*** between the time the base contribution was made and when you converted the contribution and associated earnings to the Roth.

6. **Do I pay taxes on pretax contributions that I convert to Roth?**
   Yes. You have to pay taxes on both the base contribution and any associated earnings if you convert pretax contributions to a Roth account.

7. **When am I responsible for paying applicable taxes incurred as a result of a Roth in-plan conversion?**
   You must pay all applicable taxes incurred as result of a Roth in-plan conversion for the income tax year in which you made the conversion. Taxes incurred as a result of an in-plan conversion are not withheld from your payroll or converted contributions, and you are responsible for the tax liability.

8. **Will I receive a tax form if I move money to a Roth account?**
   Yes. You will receive an IRS Form 1099-R at the end of the calendar year, which will include consolidated tax information on all your applicable conversions for the year.

9. **What are the benefits of a Roth in-plan conversion?**
   The following benefits may help you decide whether a Roth in-plan conversion is right for you:
   - Roth provides you with additional savings flexibility within your plan. It allows you to diversify your retirement assets between pretax and after-tax accounts.
   - You can grow tax-free earnings on your retirement savings, provided that you meet appropriate qualification rules (a distribution from a Roth plan is tax free and penalty free, if the five-year aging requirement has been satisfied and one of the following conditions is met: age 59½, disability, or death).[2]
   - Roth can also potentially reduce future income taxes and keep more of what you earn on your investments in your workplace savings plan.

10. **What should I consider before making my decision to convert?**
   Please review the following questions to consider before completing a Roth in-plan conversion in your plan. The decision to convert needs to be made carefully and should include a consultation with your tax advisor.
   - Do you expect to pay higher taxes in the future? If you think that you will be in a higher tax bracket after you retire or if you plan to leave a substantial amount of your retirement assets to your heirs, you may want to consider a Roth in-plan conversion. This is because you may pay lower taxes now than if you wait until retirement to begin taking taxable withdrawals.
   - Do you have a long investment time frame? The relative benefits of a Roth in-plan conversion will increase the longer your money remains in the Roth account. Generally, a Roth in-plan conversion may not make sense if your time horizon is less than five years, as amounts withdrawn may be subject to a 10% penalty.[2]
   - Do I have to pay the taxes on the applicable Roth in-plan conversion money? Yes, you will be responsible for taxes owed on the conversion, and you will need to provide for the payment of taxes outside the plan.

11. **Am I required to convert to a Roth?**
   No. The decision to convert non-Roth money to a Roth account within your plan is completely optional, and you should carefully consider your decision before moving forward. You can also convert a portion of your workplace savings plan contributions—for instance, just after-tax contributions—and your pretax contributions may remain in a separate pretax bucket.

12. **Should I convert eligible contributions to a Roth account within my plan?**
   When making the decision, you should consider all factors, including how to pay the taxes on the conversion. The decision to convert is an individual one, and we recommend that you consult a tax advisor. To learn more about Roth and what your workplace savings plan allows, please call your plan's toll-free number to speak with a Fidelity representative.

Investing involves risk, including risk of loss.

[1]A distribution from a Roth 401(k) is tax free and penalty free, provided that the five-year aging requirement has been satisfied and one of the following conditions is met: age 59½, disability, or death.

[2]A distribution from a qualified retirement plan (other than an IRA) made to you after you separate from service with your employer may be penalty free if the separation occurred in or after the year you reached age 55. Note that while penalty free, earnings on Roth contributions are taxable if you are under age 59½ at the time of distribution.

Fidelity does not provide legal or tax advice. The information herein is general in nature and should not be considered legal or tax advice. Consult an attorney or tax professional regarding your specific situation.

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