

January 26, 2006

10:00 to 10:45 a.m.

- I. What is a Roth elective deferral contribution?
- II. Optional Plan feature for 401(k) and 403(b) Plans
 - a. Available January 1, 2006
 - b. Plan document needs to be amended
- III. Eligibility
 - a. Participants can make both Roth and pre-tax elective deferrals
 - b. No income restrictions like the Roth IRA
 - c. Includable in the employee's income as wages and subject to withholding tax
 - d. Must be kept separate from pre-tax contributions
- IV. Provisions
 - a. May be matched by plan sponsor
 - b. Treated the same as pre-tax elective deferrals
 - i. Included in the ADP test
 - ii. Count toward 415 maximum annual additions
 - iii. Considered in Top Heavy testing
- V. Distribution Rules
 - a. Contributions are distributed tax-free
 - b. Earnings are tax-free only if qualified distribution
 - i. Ag 59.5
 - ii. 5 taxable years after participant's first Roth election
 - iii. Earnings withdrawn early may be taxable and subject to penalty
 - c. Minimum required distribution rules apply
 - d. Plan may allow participants to choose which contributions will be refunded
 - e. May be rolled into a Roth IRA
- VI. Pre-tax Contributions versus Roth Contributions
- VII. Roth IRA compared to Roth 401(k)
- VIII. Communicating new Roth feature
 - a. Who should use Roth?
 - i. Expected to be in higher bracket in retirement
 - ii. Have a substantial amount of retirement savings and need tax break on future contributions
 - b. Financial Planning Tool
 - i. Estate Planning
 - ii. Delaying distributions beyond 70.5
- IX. Things to Consider
 - a. Changes to payroll processes
 - b. Update plan document
 - c. Development of communication and education materials.