Frequently Asked Questions Pertaining to Roth 401(k) Contributions and New Hardship Withdrawal Options

Are Roth contributions right for you? The following frequently asked questions help explain Roth contributions and how they differ from other retirement plan contributions.

1. **What are Roth contributions?**
   You may designate a percentage of your paycheck to be contributed to your workplace retirement plan as a Roth contribution. 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.

   How Roth contributions work
   Think of contributions to your workplace retirement plan as having separate buckets: pretax and Roth.
   When you retire or leave your employer, earnings on your Roth contributions can be **withdrawn tax free** as long as: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.
   - 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 In the event of disability, your earnings can be withdrawn tax free if the date of withdrawal has been at least five tax years from your first Roth contribution.

   There are limits for Roth contributions
   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 2024, the total combined IRS contribution limit for Roth and/or traditional pretax contributions is $23,000.
   - If you are age 50 or older in the calendar year, you may make an additional ***catch-up contribution*** of $7,500 in 2024, bringing your total pretax and/or Roth contribution to $30,500 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.

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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 to your workplace retirement plan.

Contributions to both your Roth workplace retirement plan and your Roth IRA have annual contribution limits.

- The 2024 contribution limit for a **Roth IRA** is $7,000 per year, or $8,000 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 $23,000. If you are over age 50 and eligible to make a $7,500 catch-up contribution, the limit is $30,500.
- With a Roth IRA, you do not have to take a **required minimum distribution (RMD)** during your lifetime, but with Roth contributions to your workplace retirement plan, you will have to take RMDs, generally after you have retired and attained age **73.** Effective January 1, 2024, the Roth contributions in your workplace retirement plan will be excluded from your RMD calculation. Please speak with your tax advisor regarding the impact of SECURE 2.0 on future RMDs.

4. **If I am already contributing $7,000 per year to a Roth IRA, am I still allowed to make pretax and Roth in-plan contributions up to the $23,000 annual limit for 2024?**
Yes. You may make pretax and Roth in-plan contributions up to the annual limit ($23,000 for 2024, or $30,500 if you are catch-up eligible), even if you have already contributed the annual maximum amount to a Roth IRA.

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

	PRETAX CONTRIBUTIONS	ROTH CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS
Are contributions taxed when made?	No	Yes	No
Are contributions taxed when distributed?	Yes	No[1]	Yes
Are earnings taxed when distributed?	Yes	No[1]	Yes
What are the IRS annual limits?	$23,000 for 2024 for employee pretax and Roth contributions		
What is the catch-up contribution for a person age 50 or older?	An additional $7,500 for 2024		
	A catch-up contribution may be made on a pretax or Roth basis and is in addition to the combined pretax and Roth $23,000 annual limit.		

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Effective January 15, 2024 – New Hardship Withdrawals Options:

1. **Emergency Personal Expense Distributions (EPED):**
   - Distribution from a defined contribution plan to a partner for unforeseeable immediate financial need for personal or family emergency expenses and is exempt from the 10% early withdrawal penalty.
   - EPED cannot exceed $1,000 in a calendar year (lesser if the vested amount is less than $1,000) and only one EPED can be made per calendar year.
   - EPED's may be repaid to the plan within 3 years, additional EPED cannot be received within the 3 years unless the EPED is repaid.
2. **Penalty-Free Withdrawals in Case of Domestic Abuse:**
   - Domestic abuse includes physical, psychological, sexual, emotional, or economic abuse, including efforts to control, isolate, humiliate or intimidate the participant, including by means of abuse of the participant's child or family member living in the household.
   - Distribution from a defined contribution plan to a domestic abuse victim of up to the lesser of $10,000 or 50% of the vested amount.
   - Partner pays the $25 fee, but is exempt from the 10% early withdrawal penalty, and the distribution may be repaid within 3 years.

Partners requesting a Hardship Withdrawal will have to call Fidelity directly.

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.

The change in the RMD age requirement from 72 to 73 applies only to individuals who turn 72 on or after January 1, 2023. After you reach age 73, the IRS generally requires you to withdraw an RMD annually from your tax-advantaged retirement accounts (excluding Roth IRAs, and Roth accounts in employer retirement plan accounts starting in 2024). Please speak with your tax advisor regarding the impact of this change on future RMDs.

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.