



The Hock Group  
Modern Advisors for Modern Families



## Traditional 401(k) Deferrals vs. Roth 401(k) Deferrals

Feature	Traditional 401(k)	Roth 401(k)
<b>Funding</b>	Funded with pre-tax dollar deferrals	Funded by after-tax dollar deferrals
<b>Contributions</b>	Contributions by employer and employee	Contributions by employer (pretax) and employee (after tax)
<b>Matching Contributions</b>	Allowed	Employer matching of Roth 401(k) contribution but not as an after-tax contribution. The employer match is treated as pre-tax contributions
<b>Contribution Limits<sup>1</sup></b>	\$18,000 (\$24,000 if age 50 or older)	\$18,000 (\$24,000 if age 50 or older); If participant makes a combination of Roth 401(k) and pre-tax elective deferrals, limit cannot exceed contribution limit
<b>Investment Earnings</b>	Tax-deferred earnings	Tax-free earnings
<b>Taxes</b>	Pay taxes later Reduces current income tax	Pay taxes now Tax-free withdrawals at retirement
<b>Access to Money</b>	Can get access to money when leaving job, disabled, die or (if plan provides) reach age 59 ½	Subject to the same restrictions as traditional 401(k)
<b>Tax-free Distribution</b>	Not applicable	<i>Two conditions must be met:</i> 1) Distribution must be a "qualified distribution"-attainment of 59 ½, death or disabled AND 2) Special 5-year-rule-contributions must remain in the plan for 5 years of the first Roth 401(k) contribution to receive the tax-free advantage
<b>Minimum Required Distributions</b>	Age 70 ½ (required for owners and retirees, not for employees)	Age 70 ½; A Roth 401(k) can be rolled over to a Roth IRA where minimum distribution rules don't apply to distributions made before death
<b>Rollovers</b>	Can be rolled over into a traditional IRA	Can be rolled over into a Roth IRA

<sup>1</sup> Salary deferral contribution limit for 2015 is the lesser of 100% of compensation or \$18,000. If the owner is age 50 or older, "catch-up" contributions of \$6,000 to a 401(k) plan are allowed for a total of \$24,000.

Contact The Hock Group today for more information.

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