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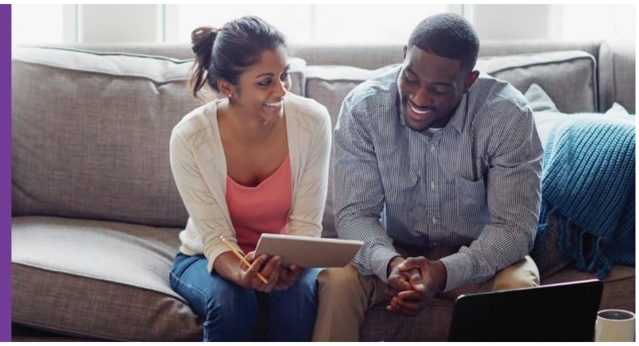

Frequently asked questions about Roth 401(k) contributions, after-tax contributions and the Roth in-plan conversion feature

Is a Roth in-plan conversion right for you? The following frequently asked questions help explain Roth 401(k) and Roth in-plan conversions and what transferring assets to this kind of account may mean for you.

SECTION ONE: ROTH 401(k) DEFERRALS AND AFTER-TAX CONTRIBUTIONS

1. What is a Roth 401(k)?

You may designate a percentage of your paycheck to be contributed to your 401(k) retirement plan as Roth 401(k) deferrals. Roth 401(k) deferrals are considered optional and are made on an ***after-tax basis***. Roth 401(k) accounts were designed to combine the benefits of saving in your tax-deferred workplace retirement plan with the advantage of avoiding taxes on your money when you withdraw it at retirement. Think of contributions to your 401(k) 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When you retire or leave your employer, earnings on your Roth contributions can be **withdrawn tax-free** as long as it has been: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 401(k) deferral contribution and
- You are at least ***59½ years old***.

In the event of death, beneficiaries may be able to receive distributions tax-free if the deceased started making Roth deferrals more than five tax years prior to the distribution. In the event of disability, your earnings can be withdrawn tax-free if it has been five tax years from your first Roth 401(k) deferral.

Roth 401(k) deferrals fall under the same IRS limits as pretax contributions to your Plan, so each dollar of a Roth deferral reduces the amount that can be contributed pretax (and vice versa).

- In 2021, the total combined IRS contribution limit for Roth 401(k) and/or traditional 401(k) pre-tax deferral contributions is $19,500.
- If you are age 50 or older in the calendar year, you may make an additional ***catch-up contribution*** of $6,500 in 2021, bringing your total pretax and/or Roth 401(k) deferral contribution to $26,000 for the year.

2. How is a Roth 401(k) different from a traditional pretax 401(k)?

Similar to a traditional pretax 401(k):

- You elect how much of your salary you wish to contribute.
- Your contributions to a Roth 401(k) and traditional pretax 401(k) cannot exceed IRS limits.
- Your contribution is based on your eligible compensation.

Unlike a traditional pretax 401(k), the Roth 401(k) allows you to withdraw your money from that account tax free when you retire.[1]

But it will also require you to make after-tax contributions now, so your take-home pay may be less than it would be if you made an equal traditional pretax 401(k) contribution, because income taxes must be currently withheld and paid on after-tax Roth 401(k) deferrals.

3. How is a Roth 401(k) different from a Roth IRA?

A **Roth IRA** (Individual Retirement Account) is an account that is **outside** your workplace retirement savings plan. **Roth 401(k)** deferrals exist **within** your 401(k) 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 deferrals to a Roth 401(k). Read more: https://www.fidelity.com/retirement-ira/ira-rules-faq.

Both a Roth 401(k) and a Roth IRA have annual contribution limits.

- The 2021 contribution limit for a **Roth IRA** is $6,000 per year or $7,000 if you are age 50 and older and eligible to make catch-up contributions.
- The combined IRS contribution limit for both **Roth 401(k) and traditional 401(k) pre-tax deferral contributions** if you are under age 50 is $19,500. If you are over age 50 and eligible to make a $6,500 catch-up contribution, the limit is $26,000.
- In a Roth IRA, you do not have to take a **required minimum distribution (RMD)** during your lifetime.
- With a Roth 401(k) 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. Read more: https://www.fidelity.com/retirement-ira/required-minimum-distribution-faq)

4. If I am already contributing $6,000 per year to a Roth IRA, am I still allowed to make pretax and Roth 401(k) Deferral contributions up to the $19,500 annual limit for 2021?

Yes. You may make pretax and Roth 401(k) deferrals up to the annual limit ($19,500 for 2021, or $26,000 if you are catch-up eligible), even if you have already contributed the annual maximum amount to a Roth IRA.

5. How are Roth 401(k) deferral contributions different from regular after-tax 401(k) 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 $19,500. Instead, they are included in the larger $58,000 Annual Additions limit for 2021, which is the total amount that can be contributed to a 401(k), including employee and employer contributions, excluding the age-50 catch-up contribution. **Note: Proofpoint 401(k) Plan limits after-tax contributions to 25% of compensation up to the IRS Limits.**

This table summarizes details of the different types of 401(k) contributions, including some of the tax implications.

	Pre-Tax Contributions	Roth 401(k) Contributions	After-Tax Contributions	Employer Contributions
Are contributions eligible for employer match?	Yes	Yes	No	
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?	$19,500 for 2021 *for employee pretax and Roth contributions*		$58,000 for 2021, *including employee pretax, Roth, after-tax AND employer contributions*	

What is the Catch-up contribution for age 50 and older?	An additional $6,500 for 2021	
	A catch-up contribution may be made on a pretax or Roth basis and is in addition to the combined pretax and Roth $19,500 Annual Limit, as well as the $58,000 Annual Additions limit, which applies to the total contributions made to your 401(k) across pretax, Roth, after-tax and employer contributions.	

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

*** The IRS requires that a partial distribution for a qualified plan must include a proportional share of the pretax and after-tax amounts in the account. This means that the partial distribution will be tax-free* ***and*** *taxable corresponding to the pretax and after-tax amounts.*

6. How can I maximize my contributions using a combination of pre-tax, 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	$19,500	$19,500
2. Contribute the maximum amount on an after-tax basis, up to the Annual Additions limit of $58,000	$38,500*	$38,500*
3. Take advantage of the additional catch-up contribution if age 50 or older	N/A	$6,500
TOTAL 401(k) Contribution	**$58,000**	**$64,500**

*Your after-tax contribution amount may be reduced by the amount of employer contributions to your Plan account, if applicable. **After-tax contributions to the Proofpoint 401(k) Plan will be limited to 25% of compensation up to the IRS Limit.**

SECTION TWO: ROTH 401(k) IN-PLAN CONVERSION

1. What is a Roth 401(k) in-plan conversion?

A Roth in-plan conversion allows you to move regular after-tax contributions into a designated Roth account *within* your 401(k) Plan.

A Roth in-plan conversion involves taking an eligible withdrawal from your 401(k) plan and directly rolling it over to a Roth account within the same plan. **The after-tax contribution money source is the only eligible money source available for conversion.**

2. Will the converted assets in the Roth 401(k) account be eligible for withdrawal?

Yes, you can withdraw Roth converted after-tax contributions, noting that even if you are eligible, certain criteria must be met to receive tax-free Roth withdrawals. If these are not met, then there may be a negative tax consequence.

3. How do I convert my after-tax contributions to a Roth account within my plan?

Because the conversion of non-Roth after-tax contribution money to a Roth account within your plan is a complex decision, all transactions are conducted through Fidelity's highly trained telephone representatives.

If you wish to request a transaction or simply speak with a representative about your options, please call Fidelity at (800) 835-5097. The representative will review your account with you and provide you with available options for completing a Roth in-plan conversion.

You can set up a Roth In-Plan Conversion to be one-time only, or for automated conversions. If you choose automated conversion, each *after-tax* deposit that you make will immediately be converted to Roth.

4. Does Fidelity charge a fee to convert to a Roth 401(k)?

No. Fidelity does not charge a fee to convert after tax contributions to a Roth 401(k) account.

5. Do I pay taxes on after-tax contributions that I convert to a Roth 401(k)?

The answer is two-fold:

- 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 when the base contribution was made and when you convert the contribution and associated earnings to the Roth 401(k). However, you can call Fidelity at (800) 835-5097 and request an election to have your after-tax contributions converted *automatically* the same business day they are posted to your account. This election allows you to avoid paying taxes on investment earnings associated with future after-tax contributions, since they would convert to Roth prior to being invested. Once you request auto conversion, it will apply to all future after-tax contributions made to the plan unless you call and cancel it.

6. What are the benefits of a Roth in-plan conversion?

The following benefits may help you decide if 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 you meet appropriate qualification rules (a distribution from a Roth 401(k) plan is tax-free and penalty- free, provided the five-year aging requirement has been satisfied and one of the following conditions is met: age 59½, disability, or death). [Ŧ]
- Roth can also potentially reduce future income taxes and keep more of what you earn on your investments in your workplace savings plan.

7. 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 401(k) 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.[Ŧ]

8. Am I required to convert to a Roth 401(k)?

No. The decision to convert non-Roth after tax money to a Roth account within your plan is completely optional, and you should carefully consider your decision before moving forward.

9. Should I convert eligible contributions to a Roth account within my 401(k) Plan?

The decision to convert is an individual one, and we recommend you consult with a tax advisor. To learn more about Roth and what your 401(k) plan allows, please call your plan's toll free number to speak with a Fidelity Representative: (800) 835-5097.

Investing involves risk, including risk of loss.

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

[ǂ]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 59 ½ 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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