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A modern way to invest for Retirement.

Your Guide to Roth 401(k)/403(b) Contributions

By now, you may have heard of the Roth IRA. You may have even set one up. Well, you also have the opportunity to contribute all or part of your salary deferral to a Roth 401(k) or 403(b) account within your company's retirement plan.

When you contribute to a Roth 401(k) or 403(b), you pay taxes on the portion of your salary that goes into the plan; but withdrawals of contributions and earnings can be tax-free during retirement if certain conditions are met.¹

Plus, if you ever decide to roll your Roth 401(k)/403(b) account balance to a Roth IRA, you may not have to take the required minimum distribution when you're at or near 70½ years old.

What's the benefit of deferring some or all of your salary to a Roth? It gives you the opportunity to pay taxes on your contributions now and avoid taxes later.

Let's compare

	Traditional (pretax) 401(k)/403(b) Account	Roth 401(k)/403(b) Account (Current Tax Bracket: 15%)	Roth 401(k)/403(b) Account (Current Tax Bracket: 25%)	Roth 401(k)/403(b) Account (Current Tax Bracket: 35%)
Single contribution	\$10,000	\$10,000	\$10,000	\$10,000
Less federal taxes paid on contribution	\$0	\$1,500	\$2,500	\$3,500
Net total contribution	\$10,000	\$8,500	\$7,500	\$6,500
Value in 20 years	\$46,610	\$39,618	\$34,957	\$30,296
Less federal taxes at distribution (25% tax bracket)	\$11,652	\$0	\$0	\$0
Net distribution	\$34,957	\$39,618	\$34,957	\$30,296

These examples are hypothetical in nature and assume a 25% tax bracket at distribution. It also assumes that the retirement plan's value earns an average total return of 8% compounded annually. Investment return is not guaranteed and will vary depending upon the investments and market experience.

A single contribution of \$10,000 will be worth the same amount in 20 years if the tax bracket remains the same.

However, if the future tax rate is greater, the amount distributed from the Roth account will be greater than the post-tax amount distributed from the traditional 401(k)/403(b) account.

What's the difference?

	Traditional (pretax) 401(k)/403(b)	Roth 401(k)/403(b)	Roth IRA
2015 contribution limit	Combined \$18,000		\$5,500
2015 catch-up contribution limit — for those age 50 and older	Combined \$6,000		\$1,000
Contribution taxable in year contributed	No	Yes	Yes
Contribution taxable in year distributed	Yes	No	No
Contribution earnings taxable in year distributed	Yes	No ¹	No ¹
Your income determines your contribution amount	No	No	Yes

How Roth 401(k)/403(b) can help diversify your taxes

If your plan allows you to convert some or all of your current traditional, pretax 401(k) or 403(b) dollars to Roth dollars, you'll pay taxes today on that amount, but will have access to tax-free distributions from your Roth 401(k)/403(b) in retirement.

Is a Roth 401(k)/403(b) right for you?

You may want to consider making Roth 401(k)/403(b) contributions if you:

- Believe that taxes will be raised before you retire
- Want to take advantage of tax-free withdrawals in retirement
- Expect to be in a higher tax bracket upon retirement
- Are younger, with many working years ahead of you
- Are unable to contribute to a Roth IRA because of your income
- Are looking for an estate-planning tool to leave assets tax-free to heirs

Ready to learn more?

If you decide contributing to a Roth 401(k)/403(b) account makes sense for you, talk to your retirement program representative today.

For useful ideas about preparing for retirement, try our *On Your Side* Interactive Retirement PlannerSM. Visit nationwide.com/myretirement and click on the Retirement Planner link.



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¹Contribution earnings are not taxable in the year distributed assuming all contributions have been held in the Roth account for five consecutive years after the first Roth contribution is made AND the distribution is made after age 59½; or for death, disability, first-time home purchase, or a Roth IRA.

Neither Nationwide nor its representatives may offer tax or legal advice. Consult with your own counsel before making any decisions about contributing or converting your plan assets to a Roth 401(k)/403(b).

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