



# A new retirement plan option is available: in-plan Roth rollover

➔ **Joint Industry Board Employees' 401(k) Plan** (the 401(k) Plan) now includes an in-plan Roth rollover option. If converting pre-tax dollars to Roth dollars within your 401(k) Plan account makes sense, you may want to consider this new opportunity.

## What is an in-plan Roth rollover?

Sometimes referred to as a Roth in-plan conversion, it is the act of converting eligible pre-tax dollars to Roth dollars within the same plan. Even though the converted money stays in the plan (in this case, the 401(k) Plan), you will not have to pay federal taxes on the funds when they are eventually withdrawn, provided certain conditions are met.\* However, the converted amount is treated as a taxable event in the year of conversion.

*\*To make a distribution from a Roth 401(k) account free of penalties and federal income taxes, your Roth 401(k) must have been established at least five tax years before the withdrawal and your distribution must be: a) made on or after the date you reach age 59½; b) made to your beneficiary or estate after your death; c) attributable to your being disabled; or d) taken because you are a qualified first-time home buyer (lifetime \$10,000 limit).*

## Who can take advantage of this new feature?

To convert, you must meet one of the following criteria:

- be age 59½ or greater
- be retired
- otherwise be eligible for a distribution under the terms of the 401(k) Plan

## What can I convert?

Dollars that you have rolled over into the plan can be converted to Roth. Pre-tax and employer contributions *may* be converted to Roth. There are no pre-set limits on the number of Roth in-plan conversions you can make, and you may convert a specific dollar amount up to your entire eligible amount. You *cannot* “undo” a Roth In-Plan conversion—the decision is irrevocable.

## Why consider an in-plan Roth rollover?

- You want all, or a portion, of the income from your retirement plan account to be free from federal income tax.
- You are in a low tax bracket today, or expect that tax rates will increase in the coming years.
- You want to pass on a tax-free account to your heirs.
- You will not need to access the converted amount for at least five years.
- You wish to diversify your withdrawal strategies upon retirement with taxable or non-taxable choices.

## What else should I consider?

**Tax liability:** One of the most important considerations is that amounts converted to Roth *will be taxable in the year of conversion*.

Can you afford to pay taxes on the amount of the in-plan rollover now? Although you can request income tax withholding from the converted amount, you must consider the impact of reducing your retirement savings by that amount and how long it could take to replenish that savings. If, for example, you opt to convert \$100,000 in pre-tax dollars to Roth, your account will be reduced by the amount withheld to cover these taxes. You may still owe additional taxes on the conversion distribution.

If you choose to withhold taxes at the time of conversion, the amount withheld for taxes may be subject to the 10% tax penalty if you are under age 59½, unless an exception applies. Prudential will report the taxable portion of any converted amount as income on Form 1099-R issued for the tax year in which the conversion occurred. State income tax treatment will vary from state to state.

**Future tax bracket:** If you think you will be in a lower tax bracket in the future, a conversion might not be to your benefit.

**Tax code:** Because new legislation could change the tax code at any time, there is no guarantee that Roth accounts will always have the same features.

**If you are tight on current cashflow to pay the taxes due,** you may not benefit from Roth conversions.

**Do you anticipate you may need access** to the funds in less than five tax years from the date of the first Roth conversion? If so, a Roth conversion may not be right for you at this time.

**Pro-rata distributions:** In addition to different investment options in the 401(k) Plan, you have different contribution sources (for example, employer, pre-tax, or rollover). Any conversion will be taken pro-rata from the sources available for your distribution type; and the distribution will also be made pro-rata from the funds in which those sources are invested.

*Neither Prudential Financial nor any of its representatives are tax or legal advisors. We encourage you to consult your individual legal or tax advisor with any specific questions.*

➔ If you would like to make an in-plan Roth conversion, you must complete the conversion form.

To access this form, contact Prudential Retirement® at **877-JIB-401K** (877-542-4015). Participant service representatives are available weekdays, from 8 a.m. to 9 p.m. ET.

Once your form is complete and has been received by Prudential, it will take three to five business days to complete the conversion. You will receive a confirmation from Prudential once the conversion is completed.

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Amounts withdrawn, except for qualified withdrawals from a Roth 403(b), are generally taxed at ordinary income tax rates. Amounts withdrawn before age 59½ may be subject to a 10% federal income tax penalty, applicable taxes and plan restrictions. Neither Prudential Financial nor any of its affiliates provide tax or legal advice, for which you should consult your qualified professional.

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