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Roth 401(k)

The potential for tax-free earnings

Roth 401(k) contributions offer a different potential tax benefit than pre-tax contributions.

That's because they offer the potential for federal income tax-free earnings. Here's the difference:

Roth 401(k) contributions:
pay taxes now

- Made on an after-tax basis
- No immediate tax benefit
- Any earnings are generally federal income tax-free as long as you take a "qualified distribution." [1]

Pre-tax contributions:
pay taxes later

- Made on a pre-tax basis
- Reduce your current taxable income
- Any earnings are tax-deferred, but withdrawals are fully taxable as ordinary income. [2]

You can choose pre-tax contributions, Roth 401(k) contributions, or a combination of both. Each contribution type could have a different impact on your finances.

Pre-tax or Roth 401(k) contributions?

Compare now »

On Benefits OnLine®, use the Comparison Calculator under "Change Contribution Rates" to help you decide which contribution type might be best for you.

Questions? Call your plan's toll-free number.

[1] *A "qualified distribution" is one that is taken at least five years after the first day of the year of your initial Roth 401(k) contribution, or Roth conversion, if earlier, and after you have reached age 59½ or become disabled or deceased. If you take a non-qualified withdrawal from your Roth 401(k) account, any investment earnings on the Roth 401(k) contributions are subject to regular income taxes, and you may be subject to a 10% additional federal tax if you withdraw such earnings before age 59½, unless an exception applies. State income tax laws vary; consult a tax professional to determine how your state treats Roth 401(k) distributions.*

[2] *Taxes are due upon withdrawal. You may also be subject to a 10% additional federal tax if you take a withdrawal prior to age 59½, unless an exception applies.*

Merrill, its affiliates, and financial advisors do not provide legal, tax, or accounting advice. You should consult your legal and/or tax advisors before making any financial decisions.

Investing through the Plan involves risk, including the possible loss of the principal value invested.