

# Ways to Save with Roth

IN THE UC RETIREMENT SAVINGS PROGRAM



# What we'll cover

1. How does Roth work?
2. Tax advantages
3. Roth IRA
4. Who might benefit from Roth?
5. How do I start?
6. Help and resources



# How does Roth work?

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## The UC RSP — **A good thing just got better**

### EXISTING

#### Pretax contributions

- UC 403(b) and 457(b) Plans
- Make pretax contributions now.
- Pay taxes when you withdraw your money (contributions and earnings) in retirement.

### EXISTING

#### After-tax contributions

- UC Defined Contribution Plan
- Make after-tax contributions now.
- Take tax-free withdrawals of contributions at any time, only pay taxes on earnings.

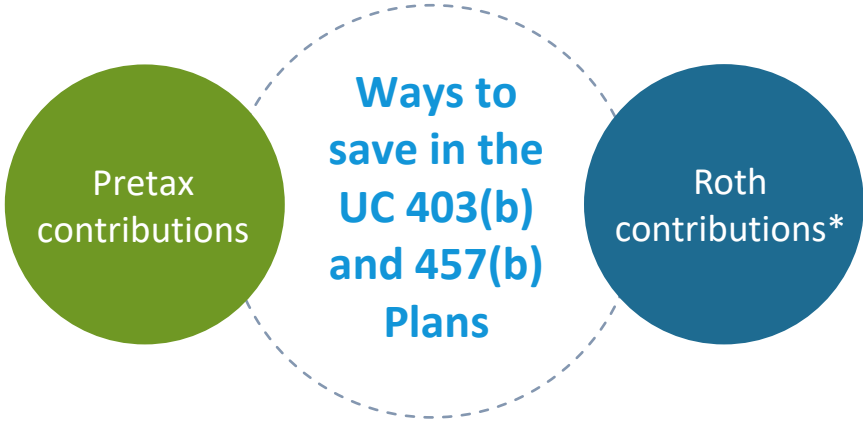
### NEW!

#### Roth contributions

- UC 403(b) and 457(b) Plans
- Make Roth (after-tax) contributions now.
- Take tax-free withdrawals (including earnings) in retirement.<sup>1</sup>

<sup>1</sup> Roth distributions are not subject to federal income tax when withdrawn after the five-year aging requirement has been satisfied and one of the following conditions is met: age 59½; disability; or death.

# How does Roth work?



Decide how much you'd like to save — choose pretax, Roth or some of both.



Change your contribution amounts as needed.



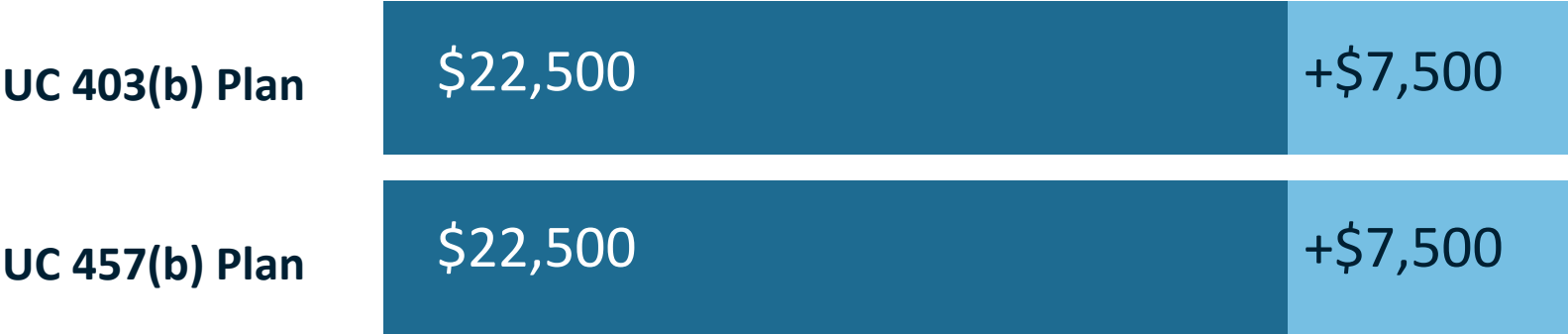
Aim to save as much as you can each year.

\*A distribution from a Roth workplace savings plan is federal 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. State taxes may apply.

# How does Roth work?

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## 2023 IRS contribution limits (per plan)



■ Age 49 and under    ■ Age 50+

# Tax advantages

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	Contributions	Withdrawals
Pretax	Made <b>before taxes</b> are withheld	<b>Subject to income tax</b> upon retirement
Roth	Made <b>after taxes</b> are withheld	Qualified distributions are <b>tax-free*</b>

\*A distribution from a Roth workplace savings plan is federal 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. State taxes may apply.

# Tax advantages



**\$60,000**  
annual income

	Contribution rate	Monthly contribution amount*	Monthly reduction in take-home pay*
Pretax	6%	\$300	<b>\$234</b>
Roth	6%	\$300	<b>\$300</b>

\*This hypothetical example is based solely on an assumed 22% income tax withholding rate. No other payroll deductions are taken into account. Actual taxes and take-home pay will depend on your individual tax situation. Pretax contributions and any related earnings will be taxed at the time of withdrawal. Any earnings on after-tax Roth contributions are income tax-free if certain conditions are met.

# Tax advantages

	Contributions	Potential growth	Account totals (prior to distribution)	Amount you may pay taxes on upon distribution in retirement
<b>Pre-tax</b> 403(b) and 457(b) Plans	\$48,000	+ \$56,000	\$104,000	<b>\$104,000</b>
<b>Roth</b> 403(b) and 457(b) Plans	\$48,000	+ \$56,000	\$104,000	<b>\$0</b>
<b>After-tax</b> DC Plan	\$48,000	+ \$56,000	\$104,000	<b>\$56,000</b>

\*A distribution from a Roth workplace savings plan is federally 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. State taxes may apply.

This hypothetical example does not include an annual increase in income (only a flat \$2,400 yearly contribution) but does assume a 7% annual average rate of return, no employer contributions, a 20-year compounding timeline, and a \$0 starting balance. Source: Contribution Calculator on NetBenefits.com. This example is intended to demonstrate the potential differences in future taxable income for each type of workplace savings plan contribution. As with any tax strategy, you should consult a tax or financial advisor to discuss your specific situation.



# Roth IRA – available outside of the UC Plans

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- A Roth IRA is **outside of your UC RSP**. Because you have access to all these types of accounts, it's important to know your options.
- A Roth IRA is an **account that accepts Roth** contributions and offers similar tax benefits.
- There are some **important differences** between Roth in the RSP and a Roth IRA.

# Roth IRA contribution and income limits

## 2023 IRS contribution limits (per plan)

UC 403(b) and  
UC 457(b) Plans



■ Age 49 and under
 ■ Age 50+

Roth IRA



## Roth IRA Income limits

	<u>Phase-out begins</u>		<u>Ineligible</u>
Single	\$138,000	➔	\$153,000
Married	\$218,000	➔	\$228,000

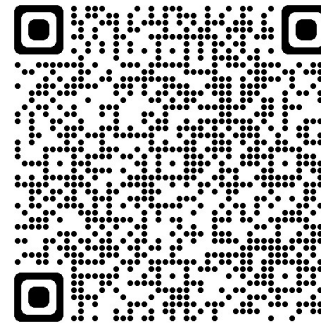
# The DC Plan “after-tax to Roth IRA” option

- The DC Plan allows you to make “regular” (non-Roth) after-tax contributions up to \$66,000 in 2023.
- If you have an existing balance in your DC Plan after-tax account, you can move it to a Roth IRA through a [conversion rollover](#).
- It can be complex and generally not an option for everyone. So be sure you understand the tax consequences.

## Get the Guide

Scan this code and download the [Guide to Roth IRA Conversion Rollovers](#).

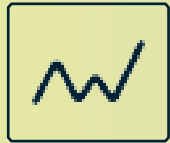
Or click [here](#).



The image shows the cover of a guide titled "GUIDE TO ROTH IRA CONVERSION ROLLOVERS" from the University of California Retirement Savings Program. The cover features a woman in a blue jacket and a list of key points. The text on the cover includes: "If you are interested in saving in a Roth IRA, you can move your DCP after-tax balance to a Roth IRA through a conversion rollover. Here are the considerations and steps to complete the process." "Potential Benefits of a Roth IRA Conversion Rollover from the DCP After-tax Account" "There are several benefits of a Roth IRA conversion rollover versus keeping your money in the DCP After-tax Account:" "ENJOY POTENTIAL TAX-FREE WITHDRAWALS IN RETIREMENT (INCLUDING ON EARNINGS)" "• Earnings on your DCP after-tax contributions that are converted into a Roth Individual Retirement Account (IRA) may be withdrawn tax-free in retirement, provided that certain conditions are met. Consult a tax professional regarding your specific situation." "AVOID ROTH IRA CONTRIBUTION LIMITS (BASED ON INCOME)" "• Roth IRA conversion rollovers are not subject to annual Roth IRA contribution and income limits." "CHOOSE FROM MORE INVESTMENT OPTIONS, INCLUDING STOCK" "• While the DCP after-tax option offers a wide range of low-cost UC-managed investment funds, Roth IRAs offer access to a large universe of mutual funds, ETFs, and other investment vehicles, including the ability to purchase individual stocks and bonds." "WATCH YOUR MONEY GROW TAX-FREE FOR LONGER" "• Your Roth IRA account is not subject to minimum required distributions (MRDs) are also known as RMDs) at age 73 so your money can keep growing tax-free until you need it." "LEAVE A TAX-FREE INHERITANCE TO YOUR HEIRS" "• Beneficiaries will be subject to the minimum required distribution rules. Distributions are required to commence in the year following the year of the account holder's death." "Remember, you should contact a tax professional to find out if a Roth IRA conversion rollover is right for you and how it works with your DCP After-tax Account." "FIVE THINGS TO CONSIDER" "1. You may be subject to a five-year account holding period requirement to qualify for tax-free withdrawal of earnings." "2. If you are required to take a minimum required distribution (MRD or RMD) in the year you convert to an IRA, you must do so before converting to a Roth IRA. Subsequently, MRDs (or RMDs) of a Roth IRA are not required during the lifetime of the original owner." "3. You will owe taxes on the amount of pre-tax assets (includes earnings of after-tax contributions) you convert to a Roth IRA." "4. Roth IRA accounts may not be protected from creditors." "5. Mutual funds in Roth IRA accounts typically charge a higher management fee than the UC funds."

# Who might benefit from Roth?

Here are five scenarios



**Are you a younger saver?**



**Think your income tax rate will be higher in retirement?**



**Want tax flexibility in retirement?**



**Interested in leaving tax-free money to your beneficiaries?**



**Not eligible to contribute to a Roth IRA?**

# How do I start?

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①

## Choose your plan(s)

You can make Roth contributions to the UC 403(b) and UC 457(b) Plans.

Learn more about each plan at [myUCretirement.com](https://myUCretirement.com).

②

## Decide on your amount

You can contribute up to \$22,500 (\$30,000 if you're 50 or older) in pretax and/or Roth contributions per plan.

③

## Make it happen

Go to [netbenefits.com](https://netbenefits.com) to start or modify your contributions and select pretax, Roth or a mix of both.

# Help and resources for you

## Use Fidelity's Roth Modeler

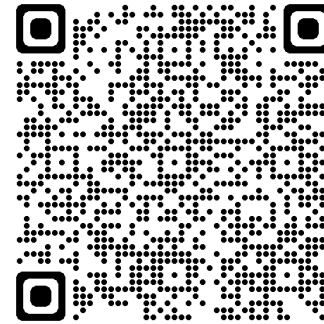
Compare Roth and pretax contributions and see what could work best for you. *Note: After logon to NetBenefits, scroll to the bottom of the webpage.*

## Visit the Roth resource page

Go to the Roth resource page on [myUCretirement.com](https://myUCretirement.com) to view and download the interactive Roth guide.

## Talk with Fidelity

Call **866.682.7787** and discuss your pretax, Roth and after-tax contribution options, which one(s) may be best for you, and get started.



[myUCretirement.com](https://myUCretirement.com)

**866.682.7787**

A flyer for the University of California Retirement Savings Program. The top left corner features the University of California logo. The top right corner includes the website 'myUCretirement.com' and the phone number 'Get help: 866.682.7787'. The main title is 'The University of California Retirement Savings Program'. Below the title, a dark blue box contains the text 'A Roth option is now available.' The background of the flyer is a gradient of orange and yellow, with a silhouette of two people walking on a path. At the bottom, there is a white box with the text 'A good thing just got better.' and a list of links: 'A Roth option is here', 'How does Roth work?', 'Roth in the RSP', 'Who might benefit from Roth contributions?', 'How do I start with Roth?', and 'Help and resources'.

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**myUCretirement.com**

**YOUR SOURCE FOR ALL THINGS RETIREMENT**



## Important Information

This information is intended to be educational and is not tailored to the investment needs of any specific investor.

### Investing involves risk, including risk of loss.

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