

Frequently asked questions pertaining to Roth 403(b) contributions



Are Roth contributions right for you? The following frequently asked questions help explain Roth contributions and how they differ from other retirement plan contributions. Under a change made in the SECURE 2.0 Act, a higher catch-up contribution limit applies for employees who are ages 60 to 63 and who participate in eligible plans.

1. What are Roth contributions?

You may designate a percentage of your paycheck to be contributed to your workplace retirement plan as a Roth contribution. Roth contributions are considered optional and are made on an **after-tax basis**. Roth accounts were designed to combine the benefits of saving in your tax-deferred workplace savings plan with the advantage of avoiding taxes on your money when you make withdrawals in retirement.

How Roth contributions work

Think of contributions to your workplace retirement plan 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When you retire or leave your employer, earnings on your Roth contributions can be **withdrawn tax free** as long as: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 contribution.
- You are at least **59½ years old**.

In the event of your death, beneficiaries may be able to receive distributions tax free if you had started making Roth contributions earlier than five tax years prior to the distribution. In the event of disability, your earnings can be withdrawn tax free if the date of withdrawal has been at least five tax years from your first Roth contribution.

There are limits for Roth contributions

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

- In 2025, the total combined IRS contribution limit for Roth and/or traditional pretax contributions is \$23,500.
- If you are age 50 or older in the calendar year, you may make an additional **catch-up contribution** of \$7,500 in 2025, bringing your total pretax and/or Roth contribution to \$31,000 for the year.
- If you are age 60 to 63 and participate in an eligible plan, for 2025, the catch-up contribution limit is \$11,250 instead of \$7,500.

2. What are the similarities and differences between Roth contributions and traditional pretax contributions?

Roth contributions are similar to traditional pretax contributions in the following ways:

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

But, unlike traditional pretax contributions, Roth contributions allow you to withdraw your money tax free when you retire.¹ And income taxes will be withheld from your after-tax Roth contributions, so your take-home pay may be less than it would be if you made an equal traditional pretax contribution.

3. How are Roth contributions to a workplace retirement plan different from Roth IRA contributions?

A Roth IRA (individual retirement account) is an account that is outside your workplace retirement savings plan, whereas Roth contributions exist within your 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 Roth contributions to your workplace retirement plan.

Contributions to both your workplace retirement plan and your Roth IRA have annual contribution limits.

- The 2025 contribution limit for a **Roth IRA** is \$7,000 per year, or \$8,000 if you are age 50 or older and eligible to make catch-up contributions.
- The **combined** IRS contribution limit for both Roth and traditional pretax contributions in a workplace retirement plan if you are under age 50 is \$23,500. If you are over age 50 and eligible to make a \$7,500 catch-up contribution, the limit is \$31,000. If you are age 60 to 63 and eligible to make a \$11,250 catch-up contribution, the combined limit is \$34,750.

- With a Roth IRA or Roth contributions to your workplace retirement plan, you do not have to take a **required minimum distribution (RMD)** during your lifetime. Please speak with your tax advisor regarding the impact of SECURE 2.0 on future RMDs.

4. If I am already contributing \$7,000 per year to a Roth IRA, am I still allowed to make pretax and Roth in-plan contributions up to the \$23,500 annual limit for 2025?

Yes. You may make pretax and Roth in-plan contributions up to the annual limit (\$23,500 for 2025, or \$31,000 if you are catch-up eligible), even if you have already contributed the annual maximum amount to a Roth IRA.

5. How are Roth contributions different from regular after-tax 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 \$23,500. Instead, they are part of the larger \$70,000 annual additions limit for 2025, which is the total amount that can be contributed to a workplace savings account, including employee and employer contributions and excluding catch-up contributions.

The table below summarizes the different types of workplace retirement plan contributions and the tax implications of each one.

	PRETAX CONTRIBUTIONS	ROTH CONTRIBUTIONS	AFTER-TAX CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS
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?	\$23,500 for 2025 for employee pretax and Roth contributions		\$70,000 for 2025, including employee pretax, Roth, after-tax, AND employer contributions	
What is the catch-up contribution [†] for a person age 50 or older?	An additional \$7,500 for 2025 For those age 60 to 63 and plan eligible, an additional \$11,250 for 2025			

*A partial distribution from a qualified plan must include a proportional share of the pretax and after-tax amounts in the account. Therefore, while the portion of your distribution associated with your after-tax contribution is not taxable, the portion of your distribution associated with any pretax contributions or earnings on pretax or after-tax contributions is taxable.

[†]A catch-up contribution may be made on a pretax or Roth basis and is in addition to the combined pretax and Roth \$23,500 annual limit as well as the \$70,000 annual additions limit, which applies to the total contributions made to your 401(k) across pretax, Roth, after-tax, and employer contributions.

6. How can I maximize my contributions using a combination of pretax, Roth, after-tax, and (if age 50 or older and eligible) catch-up contributions?

	AGE 49 OR YOUNGER	AGE 50 OR OLDER	AGE 60–63
1. Contribute the maximum amount on a pretax and/or Roth basis.	\$23,500	\$23,500	\$23,500
2. Contribute the maximum amount on an after-tax basis, up to the annual additions limit of \$70,000.	\$46,500 [‡]	\$46,500 [‡]	\$46,500 [‡]
3. Take advantage of the additional catch-up contribution if age 50 or older.	N/A	\$7,500	\$7,500
4. Take advantage of the additional catch-up contribution if age 60, 61, 62, or 63.	N/A	N/A	\$11,250 [§]
Total contribution	\$70,000	\$77,500	\$81,250

[‡]Your after-tax contribution amount may be reduced by the amount of employer contributions to your plan account, if applicable.

[§]Plan must allow for higher catch-up



Investing involves risk, including risk of loss.

¹A distribution from a Roth 403(b) is federal income tax free and penalty free, provided that the five-year aging requirement has been satisfied and one of the following conditions is met: age 59½, disability, or death.

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 occurs in or after the year you reach age 55. Note that while penalty free, earnings on Roth contributions are taxable if you are under the age of 59.5 at the time of distribution.

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