



HOW ROTH 401(k) COMPARES TO TRADITIONAL PRE-TAX 401(k)

Plan For Your Next Adventure!

The HBC 401(k) Retirement Savings Plan offers another way to save for retirement — the Roth 401(k). You may have questions about Roth 401(k) contributions and how they are different from traditional pre-tax 401(k) contributions. Let's look at some common retirement plan features and how they compare.

	Traditional pretax 401(k)	Roth 401(k)
Tax treatment of contributions	Pre-tax payroll deductions	After-tax payroll deductions
Contribution limits for the current year	\$18,500 for traditional 401(k) contributions only, Roth 401(k) contributions only, or a combination of both contribution types; \$24,500 if age 50 or over and making catch-up contributions.	
Matching contributions	HBC matches pre-tax and/or Roth 401(k) contributions. Keep in mind, any employer matching contributions will be considered taxable upon distribution.	
Qualified distributions	Taxable as current income	Tax free ¹
Current year income limitations for maximum contributions	None	None
Minimum required distributions at age 70 ½	Yes	Yes
Rollovers	To an IRA or any 401(k), 403(b), or governmental 457(b) plan that accepts rollovers. There is an option to roll over to a Roth IRA, but it requires paying taxes on any amount that would be taxable income if distributed.	To a Roth IRA or directly to another 401(k), 403(b) plan that accepts Roth 401(k) rollovers.

To summarize, contributions made to a traditional pretax 401(k) lowers your taxable income today. When you take a withdrawal from a traditional pretax 401(k), it is taxed as income in the year the money is taken out. Roth 401(k) contributions are made on an after-tax basis and earnings grow tax-free. This means that, if certain criteria are met, earnings on your contributions grow tax-free and qualified withdrawals¹ at retirement are also tax-free.

¹A withdrawal from a Roth 401(k) is generally considered a qualified distribution if taken after disability, death, or attainment of age 59 ½ and the account has been in existence for at least five years.

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