

Roth 401(k) vs. Traditional 401(k) Comparison

	Traditional 401(k)	Roth 401(k)
Income Restrictions	No	No
Funding	Funded with pre-tax dollars	Funded with after-tax dollars
Contributions	Contributions by Employer and Employee	Contributions from employee as elective deferral
Matching Contributions	Allowed	Employer matching of Roth 401(k) contribution but not as an after-tax contribution. The employer match is treated as pre-tax contributions
Contribution Limits*	\$17,000 (\$22,500 if age 50 or older)	\$17,000 (\$22,500 if age 50 or older); If participant makes a contribution to a Roth 401k and pre-tax elective deferrals, the total amount cannot exceed contribution limits
Investment Earnings	Tax-deferred earnings	Tax-free earnings
Taxes	Pay taxes later Reduces current income tax	Pay taxes now Tax-free withdrawals at retirement
Access to Money	Can get access to money when leaving job, disabled, death or (if plan provides) reach age 59 1/2	Subject to the same restrictions as traditional 401(k)
Tax-free Distribution	Not applicable	Two conditions must be met: 1) Distribution must be a "qualified distribution" – attainment of age 59 1/2, death or disabled AND 2) Special 5-year rule – contributions must remain in the plan for 5 years after the first Roth 401k contribution to receive the tax free advantage
Minimum Required Distribution	Age 70 1/2	Age 70 1/2; A Roth 401(k) can be rolled over to a Roth IRA where minimum distribution rules don't apply to distributions taken before death
Rollovers	Roll into traditional IRA or Roth IRA allowed	Can be rolled over into a Roth IRA
ADP Testing Required	Yes, unless plan is Safe Harbor 401(k)	Yes, unless plan is Safe Harbor 401(k)

* For 2012.