



Roth 401(k) — How Does It Fit Within Your Story?

Do

- Read this newsletter to find out more about Roth 401(k) contributions.

Roth 401(k) Contributions in the IPG Savings Plan

Roth 401(k): Another Way to Save

The Roth 401(k) option allows you some flexibility when it comes to saving for retirement ... but does it fit within your financial story?

While this contribution option provides a valuable resource for your retirement savings, the decision to make Roth 401(k) contributions should be based on how and when you expect to receive those savings.

Now that you will have the ability to save on either a pretax or Roth 401(k) basis, it is important to understand how pretax and Roth 401(k) contributions differ.



The Interpublic Group of Companies, Inc. Savings Plan

Contributions at a Glance

What's the difference between pretax and Roth 401(k) contributions?

Factor	Pretax	Roth 401(k)
Contributions	Money is taken out of your paycheck before you pay income taxes. Any potential growth is tax deferred.*	Money is taken out of your paycheck after you pay income taxes.*
Matching contributions	IPG matches your contributions to the Plan (based on your years of service) that are posted with each payroll deduction.	IPG matches your contributions to the Plan (based on your years of service) that are posted with each payroll deduction.
Your taxable income and take-home pay	You lower your taxable income during the year the contributions are made. You may have more take-home pay compared with Roth 401(k) contributions.	You do not lower your taxable income during the year contributions are made; take-home pay may be lower compared with pretax contributions.
Taxation at time of distribution	Contributions and earnings are taxed as ordinary income at distribution.	Your contributions have already been taxed, so those will be distributed tax-free. And as long as your distribution is qualified, earnings may also be distributed tax-free. Continue reading for details on qualified distributions. (Matching contributions and earnings on those contributions are taxed as ordinary income at distribution).
Contribution option may be appealing to...	People who expect to be in a lower income tax bracket during retirement and want to take advantage of the tax break on current income.	People who expect to be in the same or higher income tax bracket during retirement and can afford to pay taxes on contributions now to get potential tax-free earnings in the future. Younger people who expect to have a longer time horizon to accumulate investment earnings.
Investments	You can invest in any of the funds in the Plan, regardless of which contribution option you choose.	

*Whether pretax or Roth, employment taxes (FICA) are due when contributions are made.

Is It Right For Me?

When considering Roth 401(k) contributions, take into account several factors. If you believe you will be in a higher tax bracket during retirement, and/or you expect to accumulate significant investment earnings, Roth 401(k) contributions may be a good choice for you. This is because Roth 401(k) contributions are subject to income tax when they are made, and any earnings may be tax-free.

On the other hand, standard pretax contributions provide an immediate tax break. So, if you need to reduce your current taxes, expect to be in a lower tax bracket at retirement, or believe tax rates will be lower in the future than they are today, standard pretax contributions may be better for you.

Still Not Sure? Consider the Following:

	Standard pretax contributions	Roth 401(k) contributions
Taxation of contributions	<ul style="list-style-type: none"> Contributions are made before income taxes are deducted Current taxable income is reduced 	<ul style="list-style-type: none"> Contributions are made after income taxes are deducted Reduces net pay (as compared to standard pretax contributions)
Taxation of distributions	<ul style="list-style-type: none"> The entire distribution (contributions and earnings) is taxed as current income for the year in which it is paid; also an additional 10% penalty may be imposed if you are under age 59½ 	<ul style="list-style-type: none"> If the distribution is a qualified distribution, neither your contributions nor the earnings are subject to tax when paid If the distribution is not a qualified distribution, the investment earnings are taxed as current income in the year in which they are paid; also an additional 10% penalty on the investment earnings may be imposed if you are under age 59½
Rollovers	<ul style="list-style-type: none"> Contributions can be rolled over to an IRA or to another employer's 401(k) plan that accepts rollover contributions 	<ul style="list-style-type: none"> Contributions can be rolled over to a Roth IRA or to another employer's plan that accepts and accounts separately for Roth 401(k) contributions

Want to See for Yourself?

Pretax

Gross pay	\$3,125
- 6% pretax contribution	(188)
Taxable income	= \$2,937
- Taxes*	(441)
NET PAY	= \$2,496

Roth

Gross pay	\$3,125
- Taxes*	(469)
- 6% Roth 401(k) contribution	(188)
NET PAY	= \$2,468

Your Paycheck

Pay to Sample Participant \$ 2,496.00

Two thousand four hundred ninety-six and ⁰⁰/₁₀₀ Dollars

Memo **6% pretax contribution**

Your Paycheck

Pay to Sample Participant \$ 2,468.00

Two thousand four hundred sixty-eight and ⁰⁰/₁₀₀ Dollars

Memo **6% Roth 401(k) contribution**

FOR ILLUSTRATIVE PURPOSES ONLY. *Assumes \$75,000 annual salary and 15% federal, state, and local tax rate. The illustration does not show FICA taxes, which would be subtracted from your semi-monthly paycheck.

Get Some Help

If you would like to see the potential growth and tax implications of both options based on your specific goals and financial situation, check out the [Pretax vs. Roth analyzer](#).

Your current cash flow

With a traditional pretax payroll deduction, your taxable income is reduced because your pretax contribution is taken out before taxes are calculated. Roth 401(k) contributions, as compared with pretax contributions, do not reduce your current taxable income.

This means Roth 401(k) contributions will lower your take-home pay as compared with the same pretax contributions. But Roth 401(k) contributions give you an opportunity to save on taxes when you take a distribution.

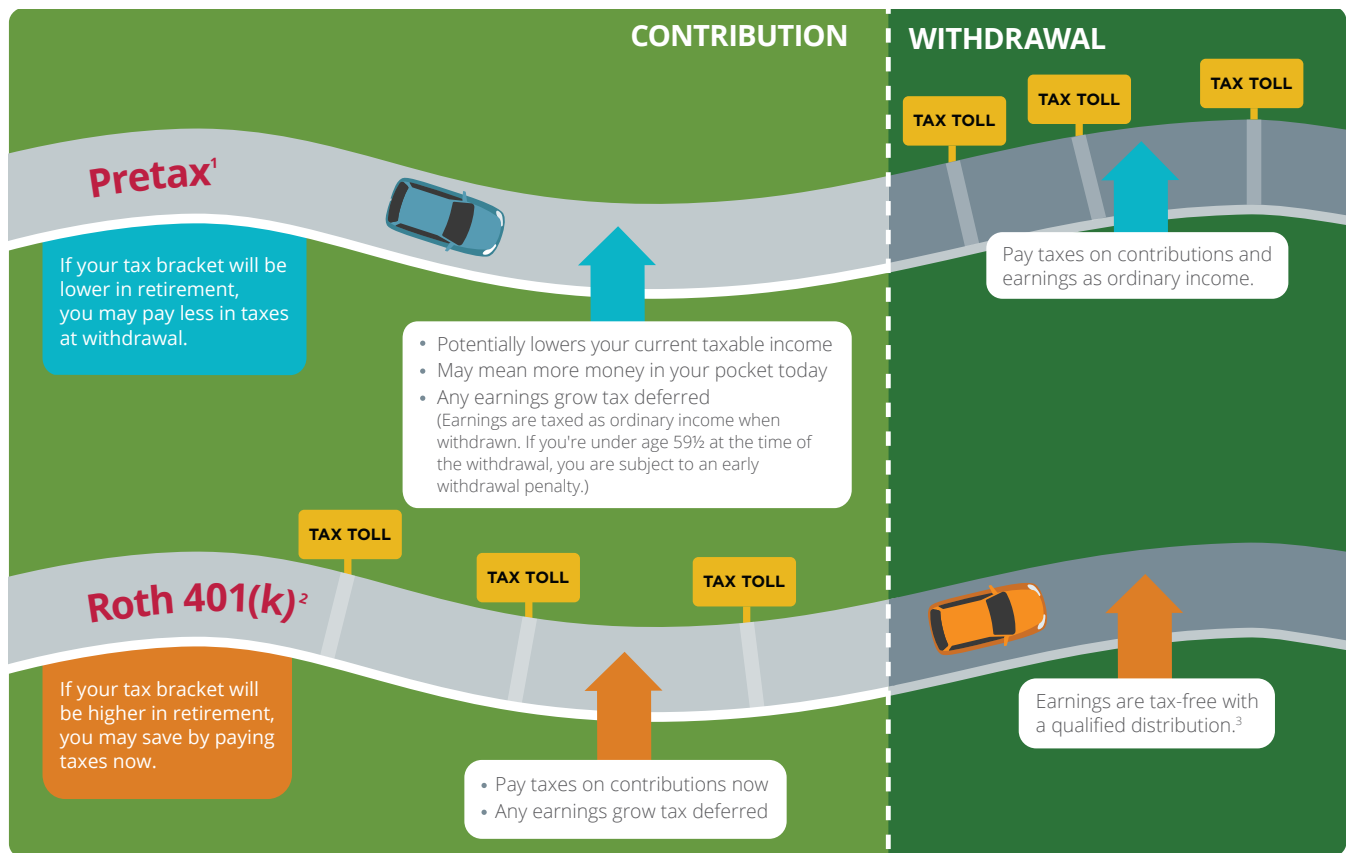
Your age

Age plays a factor in deciding whether or not Roth 401(k) contributions are right for you. At a younger age, you might find Roth 401(k) contributions appealing because you have time to accumulate tax-free earnings. The benefit can be even greater if you expect to be in a higher tax bracket in retirement. However, making contributions on a pretax basis and taking advantage of that tax break may also be appealing – especially if you expect to be in a lower tax bracket when you take distributions.

As you near retirement, Roth 401(k) contributions might be less appealing because you will have less time to accumulate tax-free earnings. But Roth 401(k) contributions can still be appealing if you expect to be in a higher tax bracket in retirement.

Get Some Help

It all depends on your goals and your situation, so take the time now to consider what's best for you. You may want to talk to your financial or tax professional. You also can log on to the website to see how Roth 401(k) contributions may affect your paycheck today and during retirement. Or, for even more saving and planning resources, go to [My Financial Path](#) on the Empower website.



1 Contributions are made prior to tax withholding.

2 Contributions are made after tax withholding.

3 Subject to requirements: Roth contributions must be in your account for at least five years and the money withdrawn after you have reached age 59½, died or been disabled. If a distribution is not qualified, the earnings are taxed as ordinary income and may be subject to early withdrawal penalties.

Q&A — Roth 401(k)

What is a Roth 401(k) contribution?

A designated Roth 401(k) contribution is made to a separate account in an employer-sponsored 401(k) plan. The Roth 401(k) option operates much like a Roth IRA — contributions are made on an after-tax basis, and a qualified distribution is tax-free. Unlike a Roth IRA, there are no income limits that restrict employees from making Roth 401(k) contributions.

Can you make pretax and Roth 401(k) contributions?

Yes. Contributions to the Plan can be made on a pretax and/or Roth 401(k) basis.

Can catch-up contributions be designated as Roth 401(k) contributions?

Yes. For those who will be age 50 or older during the year and are eligible for catch-up contributions, you may designate all or a portion of your contribution as a Roth 401(k) contribution.

Are Roth 401(k) contributions eligible to be matched?

Yes. Roth 401(k) contributions are matched in the same way that pretax contributions are matched. (However, company matches on Roth 401(k) contributions are made on a pretax basis.)

What are the Roth 401(k) contribution limits?

The contribution limits are the same as the current pretax maximums. This means the total of your pretax and Roth 401(k) contributions cannot exceed the annual limits set by the Internal Revenue Service (IRS). For more details, call Empower at **844-866-4IPG** or log on to empowermyretirement.com.

Can I roll my Roth IRA into my 401(k) account?

No. A Roth IRA cannot be rolled into the IPG Savings Plan.

Can I make after-tax contributions?

No. Effective for pay periods ending on and after January 1, 2019, after-tax contributions will no longer be accepted into the IPG Savings Plan. You may go online or call Empower to change your after-tax elections to pretax or Roth 401(k) contributions.



Q&A — Roth 401(k) (continued)

Is a Roth 401(k) contribution better than a pretax contribution?

That depends on your personal situation, taking into account your potential investment earnings and what you believe your tax rate will be during retirement. Remember, Roth 401(k) contributions are made with after-tax money, and pretax contributions are made before taxes have been taken out. If you expect to accumulate significant investment earnings and/or believe you will be in a higher tax bracket during retirement, Roth 401(k) contributions may be a better choice for you.

Go to the My Financial Path financial wellness center for help making the decision between pretax and Roth 401(k) contributions. You will find the [Pretax vs. Roth analyzer](#), which compares the benefits of each contribution type, the impact on your paycheck, and the impact a selected tax rate will have on your distribution amount.

Is there an impact on my paycheck if I decide to switch from making pretax contributions to making Roth 401(k) contributions?

Because Roth 401(k) contributions are made on an after-tax basis, typically your net pay will be reduced if you contribute the same dollar amount as your pretax contribution. However, when you retire, distributions of Roth 401(k) assets may be tax-free (compared with fully taxable distributions from your pretax source), and this may make up for the impact on your paycheck now.

If I leave or change jobs, can my Roth 401(k) contributions be rolled over to another qualified plan?

Yes, if your new employer's plan is a qualified plan that accepts and separately accounts for Roth 401(k) amounts. If this option is not available, you may roll the Roth 401(k) account distribution into a Roth IRA or leave the money in the Plan. IRS rules do not allow combining pretax contribution money with Roth 401(k) contribution money. You may not roll over money from your Roth 401(k) option to a traditional IRA or to a traditional rollover account in an employer's plan.

Consider all your options and their features and fees before moving money between accounts.

Can I borrow money from my Roth 401(k) account?

Yes. You can borrow from your Roth 401(k) contributions and any Roth 401(k) money that you roll into your Plan account. The same limits and other rules apply as if you were taking a loan from pretax monies. For more information, please check the Summary Plan Description (SPD).

What qualifies Roth 401(k) contributions to be distributed tax-free (i.e. qualified distribution)?

You must meet two conditions to have a qualified distribution that allows you to receive your Roth 401(k) contributions and earnings tax-free. First, the Roth 401(k) source must have been in existence in your account for at least five years. Second, the distributions must be made after age 59½, disability, or your death.

Roth 401(k) contributions are subject to the same distribution restrictions applicable to pretax contributions (amounts generally cannot be withdrawn before severance from employment, death, disability, hardship, age 59½, or termination of the Plan). For additional information on distribution rules, please see your SPD.

How do I begin making Roth 401(k) contributions?

Elections made ongoing throughout the year will be reflected in the next pay period. Go online at empowermyretirement.com or contact Empower at **844-866-4IPG** to begin making Roth 401(k) contributions. Remember, you can make pretax and/or Roth 401(k) contributions, but your total contributions may not exceed IPG Savings Plan limits.

Can these tax rules change?

The information in this notice is based on tax rules that are currently in effect. There is no guarantee that the rules will not change in the future. You should consult with a financial or tax professional before making your contribution decisions.



If you have questions about the Roth 401(k) option, or the IPG Savings Plan in general, please call Empower at **844-866-4IPG** weekdays between 8 a.m. and 10 p.m. and Saturdays between 9 a.m. and 5:30 p.m.



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