



A Roth contribution option can help your participants achieve a secure financial future

A flexible retirement plan can help lead to increased retirement confidence among participants. Offering a Roth retirement plan contribution option provides a great way to enhance your retirement plan and address the changing needs of participants who are looking for additional ways to save more for retirement. This option allows your employees at any income level to make after-tax contributions and accumulate earnings tax-free, if certain conditions are met.

When to consider voluntary Roth contributions

Participants should consider what their tax situation may look like in retirement. Goals should also be discussed with their tax advisor.

If a participant expects their tax rate during retirement will be:	The preferred option might be:
Higher than their current rate	An after-tax Roth contribution—once the conditions for a distribution of Roth amounts have been satisfied, both the contributions and earnings are distributed tax-free
Lower than their current rate	Pretax contributions—while the contributions and earnings are taxable when distributed, they might benefit if they expect to be in a lower tax bracket at the time of the distribution
Same as their current rate	Either or both



Under the SECURE 2.0 Act, Section 603, age 50+ catch-up contributions made within 401(k), 403(b) and governmental 457(b) plans must be designated as Roth contributions for any participant who earned more than \$150,000 of Social Security wages, indexed annually. This requirement is effective taxable year 2026 and makes Roth a requirement for most plans that allow age 50+ catch-up contributions.

The Roth retirement plan contribution also may be suitable for participants who:

- Expect to be in a higher tax bracket when they retire. Participants will pay taxes on the Roth contributions now—potentially at a lower rate—and receive their assets tax-free when they're in the higher tax bracket.
- Earn income exceeding allowable limits for contributing to a Roth IRA (a Roth feature in a retirement plan isn't subject to income limits).
- Want to make higher after-tax contributions.
- Are interested in tax diversification, i.e., owning assets taxed at different rates to help mitigate changes in tax rates or taxable income.
- Plan to keep the money invested for at least the required five-year seasoning period before taking a withdrawal or passing tax-free income to their heirs.



Once pretax assets are converted to Roth, the transaction can't be reversed.

Tax considerations for you to be aware of



CONTRIBUTIONS

At the time when Roth contributions are made

Roth after-tax contributions must generally be designated as Roth. For age based catchup contributions, the designation occurs when the regular contribution limit is reached. Once the conditions for the distribution of Roth amounts have been satisfied, both the contributions and earnings are distributed tax-free. Note: Roth after-tax contributions to a retirement plan (other than age-based catch-up contributions) are considered deferrals for purposes of determining annual deferral limits.

At the time of the Roth in-plan conversion

Plans can adopt the Roth in-plan conversion feature. This allows participants the option to specify an amount of pretax contributions in their account that can be converted to their Roth account within the plan. Keep in mind, taxes will need to be considered when converting pretax amounts to Roth after-tax amounts.

Assets eligible for a Roth in-plan conversion may include:

- Employee and employer contributions
- Assets rolled in from a former employer
- Vested plan balances (including amounts not currently available for withdrawal)



WITHDRAWALS

Contributions and Roth in-plan conversions

Required minimum distributions from Roth accounts in employer-sponsored retirement plans are not required while the participant is living. Tax-free withdrawals can be made when the following criteria are met:

- The required five-year seasoning period has concluded
- The participant is age 59 ½ or older, or
- The participant is disabled or deceased (beneficiaries may receive RMD or other death benefits)

Defining the five-year seasoning period

There is a required five-year seasoning (or holding) period for tax-free distributions of Roth contributions and earnings on those contributions. The five-year period begins with the tax year in which the first Roth contribution (including an in-plan Roth conversion or "tacking" of the first Roth contribution date from the other account in the case of a rollover from another in-plan Roth account) is made. However, except for death and disability, a qualified Roth distribution cannot be taken before age 59 ½. This is the seasoning date for all subsequent contributions.

Penalties

There are penalties for early withdrawals¹ of Roth contributions (including amounts converted from pretax to Roth). If a withdrawal is made before the required five-year seasoning (see above) period is completed:

- The withdrawal is subject to ordinary income tax on the earnings, and if the participant is under age 59 ½, a 10% federal penalty tax, unless another exception applies. Refer to the [IRS Publication 590B](#) for the full list.
- There's a special five-year seasoning period that applies to in-plan Roth conversion amounts only for penalty purposes. Each separate conversion within a retirement plan of pretax account amounts to Roth after-tax amounts must remain untouched for five years. Otherwise, the entire amount withdrawn—including after-tax amounts—is treated as taxable and subject to the 10% penalty, unless an exception applies. Since tax-free qualified Roth distributions require satisfying a condition that also provides a 10% penalty exception, the special five-year seasoning period for in-plan Roth conversion amounts has no impact on such distributions.

We're here to help



Reach out to your TIAA representative to discuss the Roth contribution option and the Roth in-plan conversion in greater detail. If your plan is served by the Administrator TelephoneCenter, please call **888-842-7782**, weekdays, 8 a.m. to 8 p.m. (ET).

Request a copy of the Roth comparison chart for an in-depth view of the different features across different plan types.

¹ Withdrawals other than qualified Roth distributions are pro-rated between after tax contributions and taxable earnings. A 10% penalty may apply to the taxable amount. For governmental 457(b) plans, withdrawals are only allowed following separation from service or (plan permitting) when participant reaches age 59 ½, unless the participant establishes that they have an unforeseeable emergency.

This material is for informational or educational purposes only and is not fiduciary investment advice, or a securities, investment strategy, or insurance product recommendation. This material does not consider an individual's own objectives or circumstances, which should be the basis of any investment decision.

Taxpayers should seek advice based on their own particular circumstances from an independent tax advisor.

Investment, insurance and annuity products are not FDIC insured, are not bank guaranteed, are not deposits, are not insured by any federal government agency, are not a condition to any banking service or activity, and may lose value.

TIAA-CREF Individual & Institutional Services, LLC, Member FINRA, distributes securities products. Annuity contracts and certificates are issued by Teachers Insurance and Annuity Association of America (TIAA) and College Retirement Equities Fund (CREF), New York, NY. Each is solely responsible for its own financial condition and contractual obligations.

©2025 Teachers Insurance and Annuity Association of America-College Retirement Equities Fund, New York, NY

5078710 / 3708004 / 12 2025