Your 401(k). Made better.

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The Roth 401(k) contribution option

You should consider the investment objectives, risks, and charges and expenses of the variable product and its underlying fund options; or mutual funds offered through a retirement plan, carefully before investing. The prospectuses/prospectus summaries/information booklets contain this and other information, which can be obtained by contacting your local representative. Please read the information carefully before investing.

Variable annuities and mutual funds under a retirement plan are long-term investments designed for retirement purposes. Early withdrawals prior to age 59½ will be subject to a 10% premature distribution penalty tax, unless an exception applies. Money taken from the plan will be taxed as ordinary income in the year the money is distributed. Account values fluctuate with market conditions, and when surrendered the principal may be worth more or less than its original amount invested. An annuity does not provide any additional tax deferral benefit, as tax deferral is provided by the plan. Annuities may be subject to additional fees and expenses to which other tax-qualified funding vehicles may not be subject. However, an annuity does provide other features and benefits, such as lifetime income payments and death benefits, which may be valuable to you.

What’s right for you?

Your employer has enhanced your 401(k) plan to give you even more flexibility! Your plan includes the Roth 401(k) feature. This option doesn’t change how much you can contribute. Nor does it change where you can invest. What it really does is give you more control over when your contributions – and retirement income – will be taxed.

If you choose to contribute to the Roth option, those contributions will be subject to income taxes before they’re invested in your 401(k) account.

A 401(k) plan that has a Roth account feature may permit a participant or spousal beneficiary to roll over non-Roth amounts that are both (1) an eligible rollover distribution and (2) a permissible distribution under the plan document to the distributing plan’s Roth 401(k) account via an in-plan conversion. You may be able to withdraw your contributions and any earnings tax free when you retire… which could mean more in your retirement paychecks.

In short, you’d be trading a current tax benefit for a future tax benefit. So does this trade-off make sense for you? It primarily depends on whether you think your tax rate will be higher at retirement, or vice versa. Let’s take a closer look.

Would you rather pay taxes later?

Compare the **Traditional 401(k)...**

Now:
Pay no income taxes
on contributions during your working years.

Later:
Pay taxes
when you withdraw during retirement.

Money going in: (contributions)	**Pre-tax** contributions are deducted from your salary before taxes are taken. That can reduce your taxable income and leave you more in your take-home pay.
Earnings, if any:	Are **tax-deferred** until withdrawn.
Money coming out: (distributions)	Distributions are **taxable** as withdrawn
Money moving on: (rollovers)	Rollovers allowed to another **Traditional** 401(k), 403(b), governmental 457(b), Traditional IRA, or direct rollover to a Roth IRA (when certain conditions are met)
Required minimum distributions (RMD):	Minimum distributions required beginning at age 70½

with the **Roth 401(k)**

Now:

Pay income taxes

on contributions as you make them.

Later:

Withdraw savings tax free

during retirement.

Money going in: (contributions)	**After-tax** contributions are subject to federal (and where applicable, state, and local) income tax withholding.
Earnings, if any:	Grow **tax-free** as long as certain qualifying conditions are met (see "Money coming out").
Money coming out: (distributions)	**Tax-free** distributions, as long as you've satisfied the five-year holding period and are age 59½ or older, disabled or deceased.
Money moving on: (rollovers)	Rollovers allowed to another **Roth** account in a 401(k), 403(b) or 457(b) plan or to a Roth IRA.
Required minimum distributions:	Minimum distributions required beginning at age 70½. However, you can roll over your Roth 401(k) to a Roth IRA, where minimum distributions are **not required.**

Whichever 401(k) option you choose, you'll enjoy these key features.

- **Investing convenience** Automatic payroll deductions make putting money aside for the future easier.
- **Investment flexibility** You can choose from the same well-known mix of investment options and transfer among these investment options as needed.

Voya Financial® does not offer legal or tax advice. Consult with your tax and legal advisors regarding your individual situation.

This material is not intended to be used to avoid tax penalties, and was prepared to support the promotion or marketing of the matter addressed in this document. The taxpayer should seek advice from an independent tax advisor.

So, which option is right for you?

Jeff (Age 45):

Wants current tax break

Jeff considers himself in his "peak" earning years. He knows he won't be making this money forever, but wants to enjoy it while he can.

- Doesn't think he can afford to lose another tax deduction at this point
- Doesn't really like change
- Expects to be in a lower tax bracket when he retires

Linda (Age 25):

Wants long-term tax-free growth potential

Linda just got out of grad school and is embarking on her new career. She feels good about the fact she's already starting to build up her savings.

- Isn't worried about the tax deduction now
- Confident her salary will increase over the years to come
- Expects to be in a higher tax bracket when she retires

Comparing Jeff's options:

	Traditional Pre-tax 401(k)	**Roth** After-tax 401(k)
Gross income:	$75,000	$75,000
Annual salary available to save:	$10,000	$10,000
Less taxes at 25%[1]:	-$0	-$2,500*
Net yearly contribution	$10,000	$7,500
Value at retirement (assumes **20** years of contributions and a 6% rate of return compounded bi-monthly)	$378,325	$283,744
Less taxes at 15%[2]:	-$56,749	-$0
After-tax value:	$321,576	$283,744

Considering

Traditional 401(k)

* $2,500 in taxes paid annually for 20 years totals approximately $50,000.

Comparing Linda's options:

	Traditional Pre-tax 401(k)	**Roth** After-tax 401(k)
Gross income:	$40,000	$40,000
Annual salary available to save:	$5,000	$5,000
Less taxes at 25%[1]:	-$0	-$1,250*
Net yearly contribution	$5,000	$3,750
Value at retirement (assumes **40** years of contributions and a 6% rate of return compounded bi-monthly)	$795,832	$596,874
Less taxes at 33%[2]:	-$262,625	-$0
After-tax value:	$533,207	$596,874

Considering

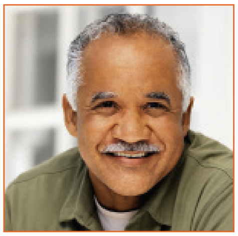
Roth 401(k)

* $1,250 in taxes paid annually for 40 years totals approximately $50,000.

[1] Based on current federal tax rates as of 2016.
[2] Assumed rates designed to illustrate impact of lower and higher tax rates in retirement.

Note: This illustration is hypothetical, is not guaranteed, and it is not intended to reflect the performance of any specific investment or security. These figures do not reflect taxes or any fees, expenses or charges of any investment product. Taxes are generally due upon withdrawal of tax-deferred assets and early withdrawal penalties may apply to withdrawals taken prior to age 59½, unless an exception applies. You should consult with a tax advisor or tax attorney prior to implementing tax based decisions. Legal and tax advice are not offered by Voya Financial® and its representatives. Your results will vary. Systematic investing does not ensure a profit nor guarantee against loss. Investors should consider their ability to invest consistently in up as well as down markets.

There are many reasons why a Roth 401(k), a Traditional 401(k), or a combination of both may be right for you. A lot depends on when you expect to be in a higher tax bracket – now or when you retire. You'll also need to factor in your current financial situation, future goals and personal attitudes as well – as these scenarios below illustrate.



Brian (Age 50):

Wants to maximize contributions and tax-free income

Brian is established in his career and makes a great salary. He thinks he'll be able to live on less when he retires, yet is eager to maximize his retirement income.

- Unable to contribute to a Roth IRA (his income exceeds the Roth IRA limits)
- Likes the idea of tax-free retirement income, previously unavailable for the highly compensated
- Already contributes the max to his 401(k) plan ($24,000 for 2016; including catch-up contributions)

Wanda (Age 55):

Wants tax flexibility now and in retirement

Wanda likes the idea of tax-free retirement income, but also likes her current tax deduction. And she doesn't have a clue where taxes are headed in the future!

- Is getting close to retiring, but not that close
- Wants the flexibility to optimize her tax strategy year-to-year as she withdraws retirement income
- Likes "hedging" her bets

Comparing Brian's options:

	Traditional Pre-tax 401(k)	**Roth** After-tax 401(k)
Gross income:	$200,000	$200,000
Annual salary available to save:	$24,000	$24,000
Less taxes at 33%[1]:	-$0	-$7,920*
Net yearly contribution (2016 maximum=$24,000 including catch-up contributions)	$24,000	$16,080
Value at retirement (assumes **15** years of contributions and a 6% rate of return compounded bi-monthly)	$574,521	$384,929
Less taxes at 33%[2]:	-$189,592	-$0
After-tax value:	$384,929	$384,929

Considering

Roth 401(k)

*$7,920 in taxes paid annually for 15 years totals approximately $118,800.

Comparing Wanda's options:

	Traditional Pre-tax 401(k)	**Roth** After-tax 401(k)
Gross income:	$60,000	$60,000
Annual salary available to save:	$6,000	$6,000
Less taxes at 25%[1]:	-$0	-$1,500*
Net yearly contribution	$6,000	$4,500
Value at retirement (assumes **10** years of contributions and a 6% rate of return compounded bi-monthly)	$81,335	$61,002
Less taxes at 25%[2]:	-$20,334	-$0
After-tax value:	$61,002	$61,002

Considering

Combination of Traditional 401(k) and Roth

*$1,500 in taxes paid annually for 10 years totals approximately $15,000.

[1] Based on current federal tax rates as of 2016.
[2] Assumed rates designed to illustrate impact of lower and higher tax rates in retirement.

Should I pay taxes now versus later?

Note: The more "yes" boxes you check, the more you may want to consider the Roth 401(k) option*...

Plan to work quite a few more years before you retire?	**Yes** ☐	**No** ☐
Think your tax rate will be higher by the time you retire?	**Yes** ☐	**No** ☐
Willing to swap a current tax break for a longer-term tax benefit?	**Yes** ☐	**No** ☐
Is a reduction in take-home pay affordable so you can contribute the same to your after-tax Roth 401(k) as you would to your pre-tax 401(k)?	**Yes** ☐	**No** ☐
Like the idea of diversifying your tax strategy, just like you diversify your investment strategy?	**Yes** ☐	**No** ☐

* The Roth option may not be appropriate for all.

Still have more questions?

We still have more answers.

What is the “five-year rule”?

It determines when you can take tax-free income. You can withdraw money from your Roth 401(k) tax free – as long as you satisfy this five-year rule. Your assets must have been held within your Roth 401(k) for at least five years and you must be at least age 59½, become disabled, or die .

I’m young and currently in a low tax bracket, but I expect my earnings to grow. Is the Roth 401(k) right for me?

It could be. The longer you can leave your money in your Roth 401(k) and the higher you expect your taxes to be in the future, the more you may be able to benefit from the tax-free income a Roth 401(k) can provide in the future.

I may retire in a few years. Is the Roth 401(k) right for me?

That depends on when you plan to start tapping into your 401(k) savings. To qualify for tax-free income from a Roth 401(k), remember you have to satisfy the “five-year rule” explained above. So you have to be at least age 59½, become disabled or die and have held assets in your Roth 401(k) account for five years or more.

I understand the tax differences between the Traditional and Roth 401(k) contribution options. How will taxes affect my employer’s match (if my plan provides)?

Both Traditional and Roth 401(k) contributions are eligible for an employer match if your plan provides. The match will be held in a separate pre-tax account and treated as a pre-tax contribution and the earnings will be tax deferred. You will pay taxes on your employer match as well as the earnings on that match when you withdraw during retirement.

Why should I consider the Roth 401(k) instead of a Roth IRA?

Three key reasons:

1. Not everyone can qualify for a Roth IRA. You can't contribute if your adjusted gross income exceeds a certain amount (in 2016) $194,000 if you file a joint tax return with your spouse, $132,000 if you file a single tax return).

2. You can contribute more to a Roth 401(k) than you could to a Roth IRA (if eligible). For 2016, participants can contribute up to $18,000 to a Roth 401(k) ($24,000 if age 50 or older). But they can only contribute $5,500 to an individual Roth IRA ($6,500 if over age 50).

3. If your employer matches your 401(k) contributions, consider contributing to a Roth 401(k) to capitalize on these matches.

How are my Social Security benefits affected in retirement?

Keep in mind that your Social Security benefits are taxed if you exceed certain income limits. Distributions from a Traditional 401(k) count as taxable income for Social Security purposes. Distributions from a Roth 401(k) do not. So contributing to a Roth 401(k) may actually help reduce your taxable income later... and thus minimize your Social Security taxes.

How will contributing to a Roth 401(k) affect my take-home pay?

It could reduce it. Unlike a Traditional 401(k), contributions to a Roth 401(k) won't reduce your taxable income. So you'll actually be paying taxes on a higher amount, which could reduce your take-home pay. (See the example below.)

	Traditional 401(k)	Roth 401(k)
Gross income:	**$50,000**	**$50,000**
Traditional 401(k) contribution	-$5,000	N/A
Taxable Income	PRE-TAX **$45,000**	**$50,000**
25% income taxes:	-$11,250	-$12,500
After-tax income	**$33,750**	**$37,500**
Roth 401(k) contribution	N/A	AFTER-TAX -$5,000
Take-home pay	**$33,750**	**$32,500**

Contributing to a Roth 401(k) may also affect your ability to take other tax credits and deductions (for example, student loan deductions, medical expense deductions and child care tax credits). Whether or not you qualify for these tax credits and deductions depends on your income level. Since Roth 401(k) contributions won't reduce your adjusted taxable income, that could affect your eligibility for these tax reductions.