John Hancock
RETIREMENT PLAN SERVICES

Frequently Asked Roth 401(k) Questions

Q. How does a Roth 401(k) account differ from a traditional 401(k) account?

A. The primary difference relates to the taxation of the money in the accounts. Traditional 401(k) accounts allow pre-tax contributions and tax-deferred investment growth, but future distributions (withdrawals) are taxable. On the other hand, Roth 401(k) accounts permit after-tax contributions, tax-free investment growth, and tax-free qualified withdrawals. Qualified withdrawals are those that are made after the participant reaches age 59 ½ and has held the account for at least five years. (Note that withdrawals are also allowed for certain extenuating circumstances – as defined by the IRS – such as death or permanent disability, however, the 5-year* requirement must still be satisfied.)

Q. Can anyone contribute to a Roth 401(k)?

A. If your employer chooses to allow Roth 401(k) contributions to be made under its 401(k) plan, then you may opt to participate in it. Unlike a Roth IRA, there are no income restrictions on Roth 401(k) eligibility.

Q. Can I contribute to both a Roth 401(k) account and a traditional 401(k) account?

A. If your employer's plan provides for both Roth and traditional 401(k) contributions, you can contribute to both, subject to certain contribution limits.

Q. What are the contribution limits for a Roth 401(k) account?

A. In 2008, the total annual contribution limit for workers will be $15,500 for their combined traditional 401(k) and Roth 401(k) contributions. That means that if you choose to make both traditional 401(k) account and Roth 401(k) contributions, the total amount you are allowed to contribute to both cannot exceed $15,500. Workers aged 50 and older can make additional "catch-up" contributions of up to $5,000 in total to traditional and Roth 401(k) accounts in 2008.

* Special rules may apply to the determination of the 5 taxable year period of participation. Contact your plan administrator or your financial tax advisor to find out if they apply to you or for specific details on the 5 taxable year period of participation.

Q. Can I roll over the money in my traditional 401(k) account to my Roth 401(k) account?

A. No. However, you may roll over your Roth 401(k) money from one 401(k) plan to another Roth account in a 401(k) plan or 403(b) plan or to a Roth IRA.

Q. Can I contribute to a Roth 401(k) account and a Roth IRA?

A. It depends. While there is no rule specifically preventing you from contributing to both types of accounts during the same year, income limits may restrict or negate your ability to contribute to a Roth IRA. Check with your financial advisor.

Q. If I contribute to a Roth 401(k) account and a traditional 401(k) account with my employer, how will I be able to keep track of the different accounts?

A. Employers who choose to allow Roth 401(k) contributions under their traditional 401(k) plan will be required to create separate accounts for participants' Roth 401(k) contributions and investments. That means the money in your traditional 401(k) account cannot be "mingled" with the money in your Roth 401(k) account. As a result, your account statements will reflect the status of each individual account.

Q. Is it better to contribute to a traditional 401(k) or a Roth 401(k)?

A. That depends on your personal situation and priorities. For example, because Roth 401(k) accounts may be withdrawn tax-free if certain requirements are satisfied, they might be more appropriate for workers who expect to be in a higher income tax bracket during retirement. High-income earners who make too much to be eligible to contribute to a Roth IRA may also find the Roth 401(k) attractive, as there are no income limitations for Roth 401(k) participation. Traditional 401(k)s, on the other hand, may be more appropriate for workers who want a tax break now and/or who expect to be in a lower income tax bracket during retirement. A financial advisor can help you determine which account may be right for your needs.

Q. How long will Roth 401(k) accounts be available?

A. The Pension Protection Act of 2006 repealed the 2010 Sunset provisions for Roth 401(k) (and other EGTRRA provisions) and rendered these provisions permanent.

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