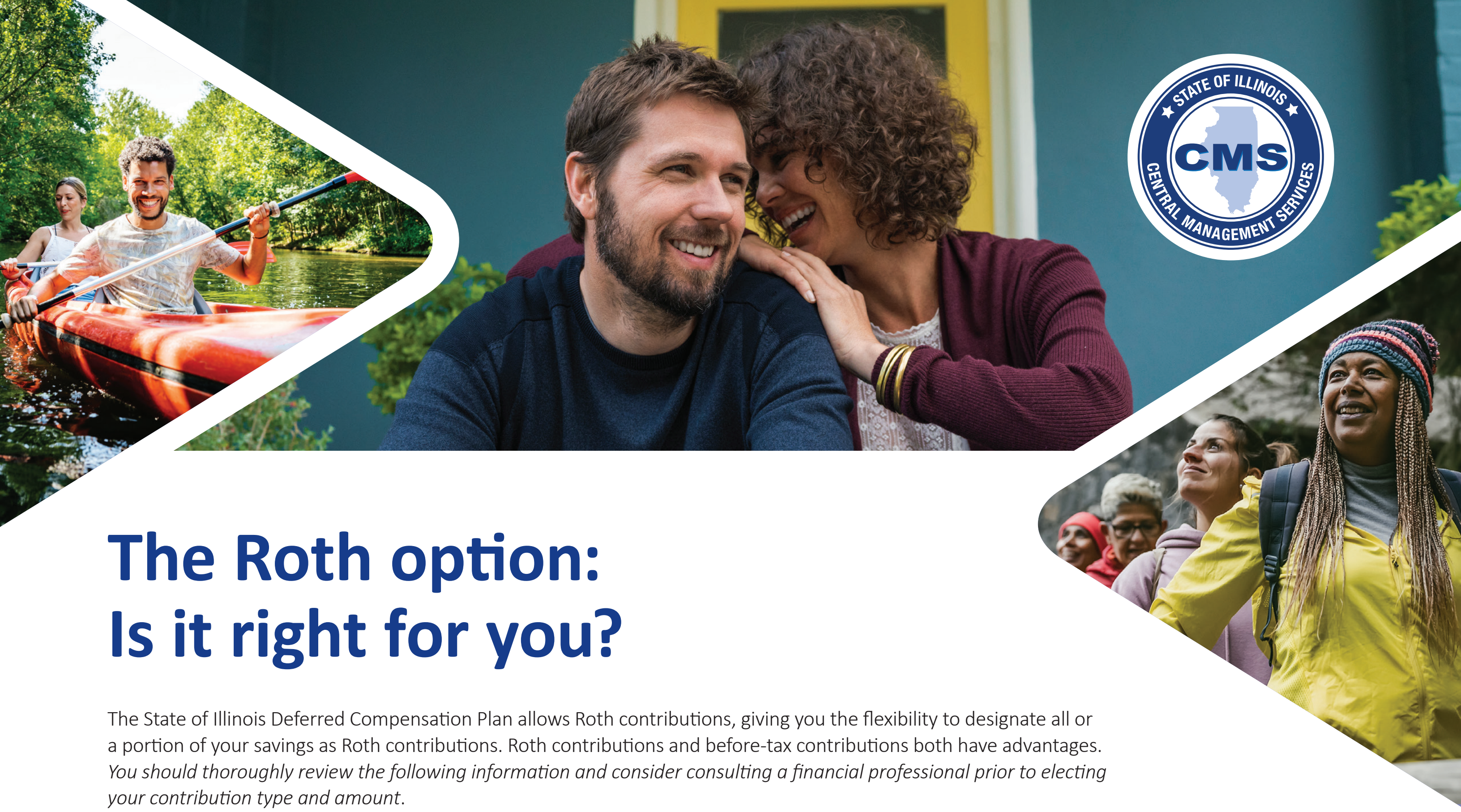


# The Roth option: Is it right for you?

The State of Illinois Deferred Compensation Plan allows Roth contributions, giving you the flexibility to designate all or a portion of your savings as Roth contributions. Roth contributions and before-tax contributions both have advantages. *You should thoroughly review the following information and consider consulting a financial professional prior to electing your contribution type and amount*.

**How are Roth contributions different from before-tax contributions?**
Roth contributions are made with after-tax dollars. Traditional contributions are made on a before-tax basis, which means you pay taxes only when you take a distribution.

**Do I pay taxes when I take a distribution from my Roth account?**
Your distribution is income tax-free if you are eligible for a distribution from your Plan, you withdraw your Roth contributions and any earnings after holding the account for at least five tax years, and one of the following apply:

- You are at least age 59½.
- You become disabled.
- Upon death (after which your beneficiary(ies) will take the withdrawal).

If a distribution is made from your Roth account before you reach age 59½ and is not due to death or disability and you have not reached the five-tax-year holding period, you will pay income taxes on any earnings that are distributed. Otherwise, there is no income tax due on the Roth contributions distributed from the Plan since they are made with after-tax dollars.

**How much can I contribute?**
For current contribution limits visit **irs.gov**.

**How do Roth contributions affect my take-home pay?**
Roth contributions reduce your take-home pay more than before-tax contributions because you pay taxes on your contributions up front rather than deferring taxes until you take a distribution. Read on to see the impact to your take-home pay with the paycheck comparison example.

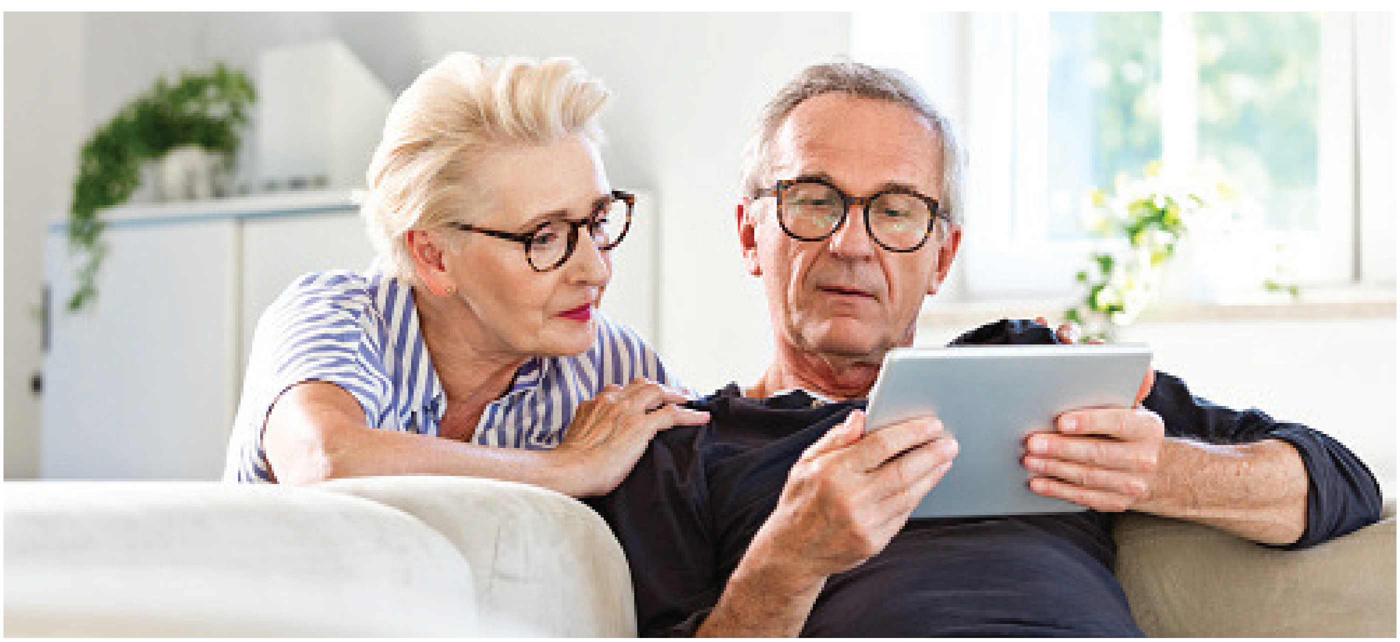
**Can I roll over my account if I change employers?**
Should you leave your current employer, you still have the option of rolling over your Roth account to a Roth IRA or to a 457(b), 401(k), or 403(b) plan that has a designated Roth account and accepts Roth rollovers. You can roll over your before-tax account to any eligible traditional IRA, Roth IRA, governmental 457(b) plan, 403(b) plan, or qualified 401(k) plan that accepts rollovers. If you roll over any governmental 457 dollars to another type of plan or account, the withdrawals made prior to you reaching age 59½ may be subject to a 10% federal early withdrawal penalty upon distribution from the non-457 account.

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

**Can I leave my money in my Roth indefinitely?**
As of January 1, 2023, the IRS generally requires you to start taking required minimum distributions (RMDs) at age 73. (If you turned 72 in 2022 and delayed your first-time RMD until April 1, 2023, you must take your 2022 RMD by April 1, 2023, and your 2023 RMD by December 31, 2023.)

# At a glance

| | BEFORE-TAX | ROTH AFTER-TAX |
|---|---|---|
| Is my contribution taxable in the year I make it? | No | Yes |
| Is my contribution taxed when distributed? | Yes | No |
| Are potential earnings on my contributions taxed when distributed? | Yes | No, provided the distribution occurs after you have reached age 59½ or upon disability or death and no earlier than five tax years after your first Roth contribution |
| If I change jobs, can I roll over my account? | Yes, to a qualified 401(k) plan, traditional IRA, Roth IRA, 403(b) plan, or governmental 457(b) plan if the plan allows it | Yes, to a Roth IRA, governmental 457(b) plan, 401(k) plan, or 403(b) plan if the plan has a designated Roth account and accepts rollovers |
| If I experience an unforeseeable emergency, can I make a withdrawal? | Yes | Yes |
| Do I have to take a minimum distribution at age 73? | As of January 1, 2023, the IRS generally requires you to start taking required minimum distributions (RMDs) at age 73. (If you turned 72 in 2022 and delayed your first-time RMD until April 1, 2023, you must take your 2022 RMD by April 1, 2023, and your 2023 RMD by December 31, 2023.) | |



# Paycheck comparison example

**View the differences in take-home pay when saving before-tax versus Roth after-tax.**

**BEFORE-TAX**

| | |
|---|---|
| **Monthly salary (before taxes are taken out)** | $3,750 |
| **Saving 3% of salary before-tax** | -$112.50 |
| **Taxable pay** | $3,637.50 |
| **Estimated income tax** | -$800.25 |
| **Take-home pay** | $2,837.25 |

**ROTH AFTER-TAX**

| | |
|---|---|
| **Monthly salary (before taxes are taken out)** | $3,750 |
| **Taxable pay** | $3,750 |
| **Estimated income tax** | -$825 |
| **Saving 3% of salary with Roth after-tax** | -$112.50 |
| **Take-home pay** | $2,812.50 |

FOR ILLUSTRATIVE PURPOSES ONLY. Assumes a $45,000 annual salary and a 22% federal, state, and local tax rate. Taxes on savings are deferred until withdrawal. Pretax deferrals do not lower your income for FICA and FUTA tax-withholding purposes.

**If I to begin making voluntary Roth contributions to my account, how do I get started?**

To begin making Roth contributions, log in to your account at **myillinoisdcplan.com**. If this is your first time visiting, click *Register*, then *I do not have a PIN*.

- Click *Account* and select *Contributions*.
- Under *My Contributions*, you will see an After-tax option; select *Add / Edit*.
- Select the amount you wish to contribute after tax per pay period.
- Click *Confirm & Continue*.

You can also call **833-969-ILDC** (833-969-4532) to change or elect a Roth contribution. Representatives are available weekdays between 7 a.m. and 9 p.m. Central time and Saturdays between 8 a.m. and 4:30 p.m. Central time.

**Making the best choice for you**

It is up to you to decide whether it makes most sense to contribute to your State of Illinois Deferred Compensation Plan on an after-tax Roth basis, a before-tax basis, or both. The Roth option essentially locks in today's tax rates on all contributions. For some people — especially those who expect to be in a higher tax bracket when they retire — the Roth option may make the most sense. If you're one of those people, the Roth option allows you to pay taxes on your contributions when they are contributed (presumably at a lower tax rate than you would expect to pay at retirement).

If you expect to be in a lower tax bracket when you retire, you might want to consider contributing to your Plan on a before-tax basis. You won't pay taxes on your contributions or any earnings on your contributions until you take a distribution, which is usually at retirement (when many people expect their retirement earning power and tax burden to be lower than it is today).

**Set up a meeting today**

Visit **ildcp.empowermytime.com** or scan the QR code to schedule a meeting today!

## The bottom line: Participate!

Regardless of which type of contributions you choose, you may want to consider contributing as much as you can today for your retirement tomorrow. If you are not currently enrolled in the State of Illinois Deferred Compensation Plan, you can elect to make Roth contributions when you enroll.

For more information about Roth, log in to your account at **myillinoisdcplan.com** or contact your local retirement plan counselor, Tyler Olshefsky, CRC.

**Visit myillinoisdcplan.com or call 833-969-ILDC (833-969-4532) to get started saving with Roth today!**