REthink REtirement

Discount Tire | America's Tire Retirement Plan

What's inside?

More choices!

There's more than one way to get to retirement.

Roth 401(k): A new outlook on saving

Discount Tire is now offering an additional way to save within your 401(k) Plan. The Roth 401(k) feature allows you some flexibility when it comes to saving for retirement ... but is it right for YOU?

The new Roth 401(k) feature has been added as part of Discount Tire's commitment to provide as comprehensive a retirement plan as possible. The decision to make Roth 401(k) contributions should be based on how and when you expect to pay taxes on retirement savings.

Now that you have the ability to save on a pretax and/or Roth 401(k) basis, we want you to know the differences between all of them. There's no better time than now to understand your retirement contribution options.

Published on: 04/20/2016 ver1.1

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 taxes. Your money grows tax-deferred.	Money is taken out of your paycheck after you pay taxes.
Your taxable income and take-home pay	You lower your current taxable income during the year the contributions are made. You have more take-home pay, compared with Roth 401(k) or contributions.	You do not lower your current taxable income during the year contributions are made; take-home pay is lower compared to making pretax contributions.
Taxation at time of distribution	Contributions and earnings are taxed as ordinary income at distribution.	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.
Contribution option may be appealing to	People who will be in a lower income tax bracket during retirement and want to take advantage of the tax break on current income.	People who will be in the same or higher income tax bracket during retirement and can afford to pay taxes on contributions now to get tax-free earnings in the future. May be a good option for younger people who have a longer time to invest their retirement savings.
Investments	You can invest in any of the funds in the plan, regardless of which contribution option(s) you choose.	

How do Roth 401(k) contributions work?

Roth 401(k) contributions are made with after-tax money. You pay taxes on the contributions now, so you won't have to pay taxes on the earnings in the future when you take a qualified distribution.*

Here's an example of how Roth 401(k) contributions could affect your tax bill over the long term in relation to pretax contributions:

Let's say you decide to take a qualified distribution of $20,000 from your account.

Discount Tire Date July 2015

Pay to **You** $ 20,000.00

Twenty thousand and 00/100 Dollars

Memo *Withdrawal from Roth 401(k)*

If your account has Roth 401(k) savings only, you would receive a non-taxable withdrawal of $20,000.

Discount Tire Date July 2015

Pay to **You** $ 15,000.00

Fifteen thousand and 00/100 Dollars

Memo *Withdrawal from pretax*

On the other hand, if you have pretax savings only, you would have to pay taxes on your withdrawal, leaving you with only $15,000.[1]

1 Assumes 25% federal, state and local tax rate. This is for illustrative purposes only. Please note that taxes on savings are deferred until withdrawal and that pretax deferrals do not lower your income for FICA and FUTA tax withholding purposes.

**See the Q&A section to learn more about qualified distributions.*

Want to learn more about how making Roth 401(k) contributions will affect your paycheck and savings?

Try the Roth Calculator today! Access your account online at **www.empower-retirement.com/participant** and click on Learning Center. Then, scroll down to the Calculators section and select Saving Calculators. Last, click on Roth Calculator.

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, Roth after-tax contributions may be a good choice for you. Roth contributions are deducted from your pay after income tax is withheld, while standard pretax contributions are deducted from your pay before income tax is withheld.

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.

	Standard pretax contributions	Roth after-tax contributions
Taxation of contributions	• Contributions are made before income taxes are deducted • Reduces current taxable income	• Contributions made after income taxes are deducted • Reduces net pay (as compared to standard pretax contributions)
Taxation of distributions	• If the distribution is not rolled over to a qualified account, the entire distribution amount is taxed as current income for the year in which it is paid; also an additional 10% penalty may be imposed if you are below age 59 ½	• If the distribution is a qualified distribution, the entire distribution amount is tax-free • If the distribution is not a qualified distribution and is not rolled over to a qualified account, 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 below age 59 ½
Rollovers	• Can be rolled over to an IRA or to another employer's 401(k) plan that accepts rollover contributions	• Can be rolled over to a Roth IRA or to another employer's plan that accepts and accounts separately for Roth after-tax 401(k) contributions

Still not sure? Consider the following:

Your current cash flow

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

This means that Roth 401(k) contributions will lower your take-home pay as compared to the same pretax contributions. By paying taxes now on these contributions, however, the Roth 401(k) earnings will be tax-free when you take a qualified distribution.

Your age

Age plays a factor in deciding whether or not Roth 401(k) contributions are right for you. At a younger age, tax-free earnings and tax-free qualified distributions may be appealing as you look to the future. However, making contributions on a pretax basis and taking advantage of that tax break may also be appealing.

As you near retirement, you might find it beneficial to put away after-tax contributions in a Roth 401(k) account since qualified distributions in the future would be tax-free. However, you may feel more comfortable continuing to make pretax or after-tax contributions.

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 tax advisor. You also can use the Roth Calculator to see how Roth 401(k) contributions may affect your paycheck today and during retirement. Log on to your account at **www.empower-retirement.com/participant** and click on Learning Center.

Q&A

Still have questions? Read on for some informative answers to our most frequently asked questions.

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) source 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. Roth IRA contributions are limited to $5,500 in 2016 (or $6,500 if you are age 50 or older) versus $18,000 for the Roth 401(k) (or $24,000 if you are age 50 or older). So, you can contribute more on an after-tax basis to your Roth 401(k) than to a Roth IRA. If you're single and earn more than $132,000 a year or are married with a joint income of more than $194,000 in 2016, you aren't eligible to contribute to a Roth IRA in 2016. However, if you meet your plan's eligibility requirements, you can participate in the Roth 401(k) Plan regardless of your income.

Can you make pretax, Roth 401(k) and regular after-tax contributions?

Yes. Contributions to the plan can be made on a pretax and/or Roth after-tax basis. You may not contribute more than the plan limit on pretax and/or Roth 401(k) contributions or the annual IRS limits on pretax and Roth 401(k) contributions.

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) contributions.

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. The total of your pretax and Roth 401(k) contributions cannot exceed the limit, which is $18,000 for 2016. If you are eligible for catch-up contributions, the combined limit for 2016 is $24,000.

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

That depends on your personal situation 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 believe you will be in a higher tax bracket during retirement, Roth 401(k) contributions may be better. If you currently exceed the income limits and are not able to contribute to a Roth IRA, you may find Roth 401(k) contributions beneficial.

Please visit www.empower-retirement.com/participant for help making the decision between pretax and Roth 401(k) contributions. Online you will find the Roth Calculator, 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 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 from your Roth 401(k) source may be tax-free (compared with fully taxable distributions from your pretax source), and this may more than make up for the impact on your paycheck.

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 (if allowed).

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) source to a traditional IRA or to a traditional rollover account in an employer's plan.

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 apply as if you were taking a loan from pretax monies. For more information, please check the Summary Plan Description (SPD). You can access the SPD by logging onto your account at www.empower-retirement.com/participant, click Discount Tire | America's Tire Retirement Plan, then click Summary Plan Description on the left hand navigation.

What qualifies Roth 401(k) contributions to be distributed tax-free?

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 59 ½, 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 of employment, death, disability, hardship or termination of the plan).

For additional information on distribution rules, please see your SPD.

Additional questions?

If you're still not sure whether or not Roth 401(k) contributions are right for you, or if you have questions about your Discount Tire | America's Tire Retirement Plan account in general, please call Empower Retirement at **844-372-8473** weekdays between 6 a.m. and 8 p.m. Mountain time or contact your financial planning advisor. The TTY number for those with a hearing impairment is 800-345-1833.

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

Go to **www.empower-retirement.com/participant** or call Empower Retirement at **844-372-8473** to begin making Roth 401(k) contributions. Remember, you can make pretax and Roth 401(k) contributions (or any combination of those options), but your total contributions may not exceed the plan or IRS limits.

In-plan Roth conversion allowed

In addition to the new Roth contribution feature, you may also convert your pretax dollars to post-tax Roth dollars within your Discount Tire | America's Tire Retirement Plan. The amount you choose to convert is subject to federal taxes in the year of the conversion. However, those dollars will no longer be subject to taxes at time of distribution, as long as you make a qualified Roth distribution, as defined in the previous section.

If you wish to roll your current assets into a Roth account, you will be responsible for paying ordinary income tax on the amount that is rolled over within your plan. Empower Retirement will issue you an IRS Form 1099-R reporting the in-plan Roth rollover as a taxable rollover; however, Empower will not withhold any income tax from your in-plan rollover.

You may be responsible for additional reporting that may be required for your federal and state tax returns. Please consult with your tax advisor for more information.

You must pay ordinary income tax on your in-plan Roth rollover in the year your request is initiated.

EMPOWER RETIREMENT™

PO Box 219300
Kansas City, MO 64121-9300

Presorted
First Class
U.S. POSTAGE
PAID
GWL&A

REthink REtirement

Discount Tire | America's Tire Retirement Plan

DISCOUNT TIRE® AMERICA'S TIRE®