

# The ShareBuilder Roth 401(k):

Planning for a tax-free retirement is easier than you think

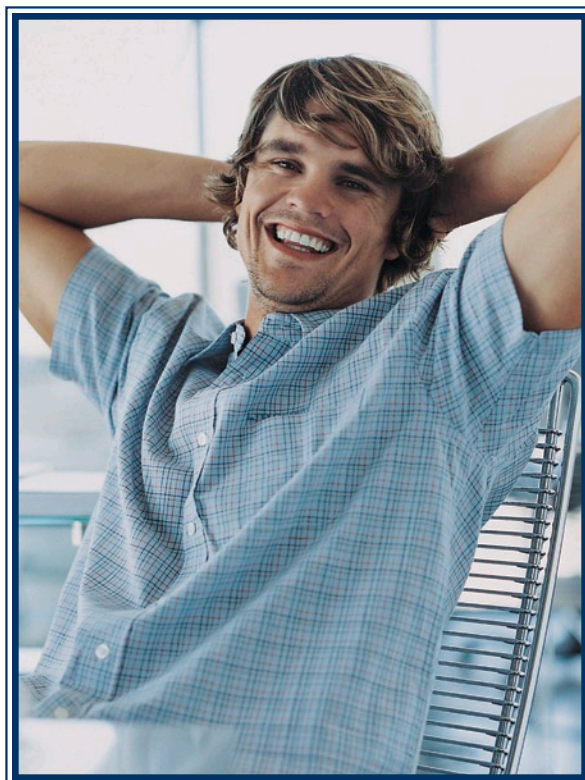
ShareBuilder 401k is dedicated to offering you the latest in retirement benefits. Our Roth 401(k) is no exception, providing you with an easy means to tax-free retirement income. Best of all, there is no additional cost to offer it as part of your company's 401(k) benefits.<sup>1</sup>

## Pay now, retire tax-free later

ShareBuilder 401k now offers you and your employees the option to invest some or all of your paycheck contributions post-tax in a Roth 401(k). You may benefit from paying those taxes now, because your Roth 401(k) contributions and earnings cannot be taxed again later<sup>2</sup> — so all growth achieved with these investments will accrue tax-free.

Traditional 401(k)s were designed to give you a tax break today on the money you contribute to your 401(k). However, once you withdraw that money in retirement, the government taxes it as income, growth and all.

Fortunately, the Roth 401(k) offers an alternative. If returns are consistent over time, it has the potential to provide you with some major tax advantages.



## What's the catch?

No catch, but your paycheck will take a bigger hit today. If you can afford to pay a bit more up front, you may stand to benefit greatly come retirement, when that money may matter more to you and your family.

<sup>1</sup> Roth 401(k) is a feature of ShareBuilder 401k plans. While there is no additional charge for the Roth feature, regular ShareBuilder 401k plan pricing does apply. If you are an existing ShareBuilder 401k customer, you may need to pay a plan amendment fee to add the Roth feature to your program.

<sup>2</sup> Assumes withdrawals are made upon reaching retirement age.

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401(k) plans are: Not FDIC insured · Not Bank guaranteed · May lose value

## The numbers tell the story

Which type of 401(k) is best for you depends on whether you think you'll be in a higher tax bracket in retirement and whether you can afford a reduction in your take-home pay during your working years. There are significant advantages to putting some or all of your contributions in a Roth 401(k). The younger you are, the better off you'll be, as workers in their twenties and thirties are likely to move up the ladder over time into higher-paying jobs — and therefore higher tax brackets. They're also in the best position to take advantage of compounded growth over time.

There are also opportunities for people who are at a later stage in their careers and who, being taxed at a lower tax rate in retirement, wouldn't seem to benefit as much from a Roth 401(k).

## A real eye-opener

To see just how much more money you could make, let's take a look at two investors in a hypothetical example. Both are 45 years old, making \$75,000 annually, and both will retire at age 65 with a retirement span of 20 years. One chooses to put 8% of his income into a Roth 401(k); the other opts to contribute 8% to a traditional 401(k):

### More Income in Retirement: Traditional Pre-tax 401(k) or Roth 401(k)?

Age 45 earning \$75K per year	Pre-tax 401(k)	Roth 401(k)	A look at the numbers
Take-home pay pre-retirement	\$1,035,120	\$1,005,120	Pre-tax 401(k) saves you \$30K, a monthly take-home pay advantage of \$369
Nest egg at age 65	\$294,510	\$294,510	Savings are the same, given the same contribution percentage and rate of return
Post-tax retirement income	\$502,560	\$591,120	Roth 401(k) will provide you with \$88,560 more in retirement
<b>Advantage: Roth 401(k)</b>		<b>\$58,560</b>	<b>Roth wins this scenario with \$58,560 more for you to live on</b>

This hypothetical example assumes an 8% annual return compounded annually over 20 years, a 25% tax rate pre-retirement and a 15% tax rate post-retirement. The example also assumes a post-retirement horizon of an additional 20 years (age 85) for retirement income disbursement based on current tax and IRS rules. No matches or raises are factored in.

In this simple example, the Roth investor comes out ahead by \$58,560. We strongly recommend you run some numbers of your own to see what makes the most sense for you. You may even wish to hedge and contribute to both types of account, so that you stand to benefit no matter where you end up.

Visit us online at [sharebuilder401k.com](http://sharebuilder401k.com) or speak to a 401(k) consultant at 800-943-6108 x1

## Make the Roth 401(k) part of your retirement benefits

The Roth 401(k) is already a feature of your overall 401(k) program. When you enroll your company online, simply select the Roth option to make it available. It's that easy! Then when you and your employees set up your individual accounts, you'll be able to choose from the following options:

- Contribute all of your 401(k) withholding to the Roth, post-taxes.
- Split any percentage between pre-tax and post-tax 401(k) contributions.
- Ignore the Roth option and contribute all of your withholding pre-tax.

For business owners with employees, we strongly recommend including the Roth 401(k) as an attractive option to your program.

If you match employee contributions, your match must be pre-tax (contributions do not go into the Roth 401(k) savings). In addition, it is important to ensure that your payroll solution supports both traditional (pre-tax) and Roth (post-tax) 401(k) contributions.

## Answers to frequent questions

### When can I access my Roth 401(k) retirement fund?

Penalty-free redemptions from a Roth account can begin at age 59½ or after retirement, whichever comes later — just like traditional 401(k)s.

### How long can I defer distributions from my Roth 401(k) retirement fund?

Required minimum distributions begin at 70½ — unless the money is rolled into a Roth IRA, which doesn't require minimum distributions and can pass to heirs.

### Do all of my company's employees need to choose the same type of 401(k)?

No, you and your employees will individually choose how to split 401(k) contributions between traditional and Roth plans.

### Can I choose different investments for different 401(k) accounts?

If you choose to split your contributions between a Roth and a traditional 401(k), your investment selections and asset allocations will be applied identically across both plans.

### Can I move money between the different 401(k) account types?

No, once an amount is contributed it cannot be moved. However, you may adjust your future percentage contributions to pre-tax and post-tax plans.

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