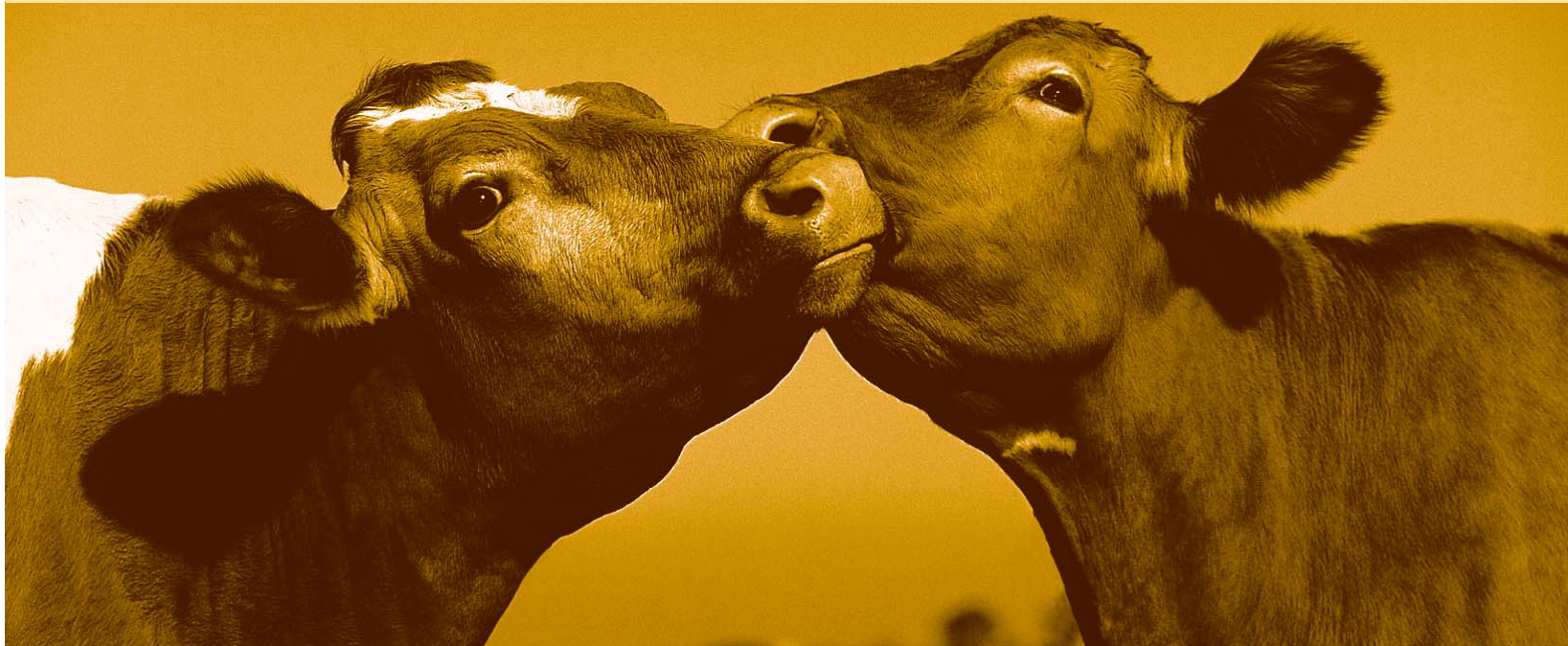




Farm Credit
Foundations

Building Pathways

Farm Credit Foundations Defined Contribution/401(k) Plan



Roth 401(k)

Agenda

Here's what we'll cover today....

- What is Roth 401(k)?
- How does it work?
- Roth 401(k) rollover options
- How does it compare to pre-tax 401(k) and traditional after-tax contributions?
- Who could benefit from Roth 401(k) contributions?
- Participant scenarios
- Online Roth 401(k) Center
- What should you consider?
- Next steps

What is Roth 401(k)?

- Introduced as part the Economic Growth and Tax Relief Reconciliation Act of 2001...made permanent by Pension Protection Act of 2006
- Modeled after the Roth IRA with tax-free investment earnings and distributions
- Available effective January 1, 2008 in the Foundations 401(k) Plan

How Does it Work?

- All eligible participants can make Roth 401(k) contributions – no income limits
- Contribute after-tax dollars to your 401(k) account
- Contribution limit applies to combination of 401(k) pre-tax and Roth 401(k) after-tax contributions: \$16,500 for 2010, \$22,000 for age 50+
- Can continue to contribute to Roth IRA...depending on income limitations
- Qualified distributions of Roth 401(k) contributions and earnings are tax free if the following requirements satisfied:
 - made after age 59 1/2; death or disability, and
 - made at least 5 years after first Roth 401(k) contribution

Roth 401(k) Rollover Options

What Can you do?

- Plan will accept Roth 401(k) rollovers
- Roth 401(k) distributions can be rolled into a Roth IRA

What is not allowed?

- Can not roll Roth IRA balances into the 401(k) plan

How is it Different?

	ROTH 401(K) AFTER-TAX	401(K) PRE-TAX	TRADITIONAL AFTER-TAX
INCOME LIMITS	N/A	N/A	N/A
CONTRIBUTIONS	After-tax	Pre-tax	After-tax
2010 IRS code 402(g) CONTRIBUTION LIMITS	\$16,500* Age 50+: \$22,000	\$16,500* Age 50+: \$22,000	Not included in 402(g) limit
INVESTMENT EARNINGS	Tax free	Tax deferred	Tax deferred
DISTRIBUTIONS	“Qualified” = Tax free	Taxed upon withdrawal	Only earnings taxed upon withdrawal

* The annual contribution limit for 2010 of \$16,000 or \$20,000 for age 50+ applies to the combination of both Roth 401(k) After-tax and Pre-tax contributions

Who Could Benefit from Roth 401(k)?

- If you anticipate a higher income tax rate at retirement
- If you anticipate your income rising substantially
- If you are currently restricted from contributing to a Roth IRA due to income limits, but find the tax-free earnings and distributions appealing
- If you are looking to diversify your tax strategy between taxable/non-taxable contributions and taxable/non-taxable retirement income
- If you have a long retirement time horizon
- If you are nearing retirement (at least 5 years away)
- If you are a current Roth IRA investor and wish to contribute more than the IRA limits of \$5,000 for 2010, plus \$1,000 if age 50+

Participant Scenarios

John Smith	Age 29
-------------------	---------------

Salary:	\$30,000
----------------	-----------------

Income tax rate:	15%
-------------------------	------------

Filing status:	Single
-----------------------	---------------

Could Roth 401(k) benefit John?

YES.

If John anticipates that his salary will increase significantly, he may want to take advantage of his current low tax bracket. His long time horizon until retirement means he has a lot of time for his earnings to grow and be distributed tax free.

Participant Scenarios

Barbara Jones	Age 51
Salary:	\$120,000
Income tax rate:	28%
Filing status:	Single

Could Roth 401(k) benefit Barbara?

YES.

Barbara is currently restricted from making Roth IRA contributions due to her income. Income restrictions do not apply to Roth 401(k)s. Additionally, she can contribute up to \$22,000 because she is over age 50 and the contribution limits mirror those of the traditional 401(k).

Participant Scenarios

Samuel Sampson	Age 57
Salary:	\$62,000
Income tax rate:	25%
Filing status:	Married, filing jointly

Could Roth 401(k) benefit Samuel?

MAYBE.

Sam is expecting to retire in a lower tax bracket, continuing to contribute on a pre-tax basis could therefore benefit him.

However, if Sam wishes to lower income taxes on his Social Security benefits, he may choose Roth 401(k) because withdrawals are excluded as taxable income.

What to Consider

- Your current tax rate and anticipated tax rate at retirement
- Tax-free distributions vs. reducing current tax liability
- Roth 401(k) accounts can be rolled over to a Roth IRA to avoid 70 ½ required minimum distributions
- With no income limits, everyone who is eligible to contribute can choose a Roth 401(k)
- Once contributions are made to a Roth 401(k), they can not be transferred to the pre-tax portion...or vice versa

Next Steps

- Determine if Roth 401(k) is right for you
Visit our online Roth 401(k) center in Financial Tools at

<https://gp2.newkirkone.com/rothalyzer/newyorklife/Control.aspx>

Need more information?

Contact our Participant Service Center* with your questions at 800-294-3575

- Visit with your tax professional
- Make changes?

Visit www.bcomplete.com or call 1-800-294-3575

*Participant Service Center Representatives are available Monday – Friday
9 a.m. – 8 p.m. ET on New York Stock Exchange business days.

The Roth 401(k) Option

> Roth 401(k) analyzer

Roth 401(k) analyzer

Step: **1** 2 3 4

Curious about how a Roth 401(k) investment might benefit you?
Complete all steps of the following analyzer to find out.

Factor 1: Income

What's your income?

\$50000

What is your current elective deferral?

10 Percent

What do you expect for a salary growth rate?

5%

Why We're Asking

The amount you defer — and the earnings those deferrals generate — is instrumental in determining your account balance at retirement. We'll use that balance to analyze the amount you can withdraw annually during retirement.

NEXT



© 2009, NPI. All rights reserved.

This Roth 401(k) Analyzer is based on tax laws and regulations as they existed on January 1, 2009. Information provided by the Roth 401(k) Analyzer is for illustrative purposes only and does not, and is not intended to, constitute legal or tax advice. Calculator results are hypothetical and actual results will vary. It is also not intended to be used, and cannot be used, to avoid tax-related penalties.

The Roth 401(k) Option

Roth 401(k) analyzer

Roth 401(k) analyzer

Step: 1 2 3 4

Choose your tax rates.

Factor 2: Taxes

	Federal	State
What's your current tax rate? <small>(Click on the calculator to see the current federal tax rate tables.)</small>	15%	5%
What do you think your tax rate will be when you retire?	25%	5%

Why We're Asking

Both the traditional 401(k) and the Roth 401(k) offer tax advantages. But those advantages are different — and very much depend on what you think your tax situation will be upon retirement. Is there an element of guesswork here? Certainly. No one can know for sure what his or her tax situation will be in the future — or how the tax laws themselves may be changed. Use the Roth 401(k) analyzer to perform "what if" scenarios at different tax rates.



BACK

NEXT

© 2009, NPI. All rights reserved.

This Roth 401(k) Analyzer is based on tax laws and regulations as they existed on January 1, 2009. Information provided by the Roth 401(k) Analyzer is for illustrative purposes only and does not, and is not intended to, constitute legal or tax advice. Calculator results are hypothetical and actual results will vary. It is also not intended to be used, and cannot be used, to avoid tax-related penalties.

The Roth 401(k) Option

> Roth 401(k) analyzer

Roth 401(k) analyzer

Step: **1** 2 3 4

Enter your age information.

Factor 3: Age

What's your current age?

How old do you expect to be when you retire?

How many years do you expect to spend in retirement?



(Click on the calendar to see what the government's life expectancy tables say.)

Why We're Asking

Earnings from a Roth 401(k) are distributed free of federal income tax if IRS regulations are met. The longer you expect to be retired, the longer you'll be able to take advantage of this Roth 401(k) advantage.



BACK

NEXT

© 2009, NPI. All rights reserved.

This Roth 401(k) Analyzer is based on tax laws and regulations as they existed on January 1, 2009. Information provided by the Roth 401(k) Analyzer is for illustrative purposes only and does not, and is not intended to, constitute legal or tax advice. Calculator results are hypothetical and actual results will vary. It is also not intended to be used, and cannot be used, to avoid tax-related penalties.

The Roth 401(k) Option

> Roth 401(k) analyzer

Roth 401(k) analyzer

Step: **1** 2 3 4

Enter your investment information.

Factor 4: Investments

What rate of return do you expect in your retirement account while you're still working?

What rate of return do you expect when you've retired?

For the analysis, make Roth 401(k) contributions that will:

- Keep my take-home pay the same
- Keep my 401(k) savings the same

Why We're Asking

Many financial advisors suggest that you should be more conservative in your investment strategy after you've retired. That means your investments will likely earn less.



BACK

ANALYZE

© 2009, NPI. All rights reserved.

This Roth 401(k) Analyzer is based on tax laws and regulations as they existed on January 1, 2009. Information provided by the Roth 401(k) Analyzer is for illustrative purposes only and does not, and is not intended to, constitute legal or tax advice. Calculator results are hypothetical and actual results will vary. It is also not intended to be used, and cannot be used, to avoid tax-related penalties.

➤ Roth 401(k) analyzer

Roth 401(k) analyzer

Step: **1** **2** **3** **4**

Here's your comparison:

Keep my take-home pay the same

	Traditional	Roth
Available for Contribution ¹ :	\$5,000	\$4,000
Balance at Retirement:	\$2,258,642	\$1,806,914
Retirement Payment:	\$126,868	\$144,991

¹This comparison assumes that you have a set amount to contribute to a retirement plan. Your take-home pay will be the same, but the amount that goes into the Roth 401(k) will in fact be lower because your contribution is in after-tax dollars (i.e., a portion of your \$5,000 contribution amount will first go to pay taxes). In addition to reducing your overall contribution to the plan, keeping your take-home pay the same may also reduce the amount you receive in company match (if your employer makes a matching contribution).

Additional Information:

- If you would like to adjust any of the data you entered, you can click any of the Step images (1-4) shown at the top of the page.
- Do you want to see an alternate analysis? Click here to see an analysis that keeps your [401\(k\) savings the same](#).
- Use the [Roth Detail analyzer](#) to perform a more detailed what-if analysis and to see the assumptions and methodology used by the analyzer.
- Click here to see a [summary](#) of your overall analysis.



BACK

Thank you

This seminar is for informational purposes only. As NYL nor its affiliates render legal, tax or accounting advice, we urge you to consult with your investment professional when making important financial decisions.

NYLIM-A011966

