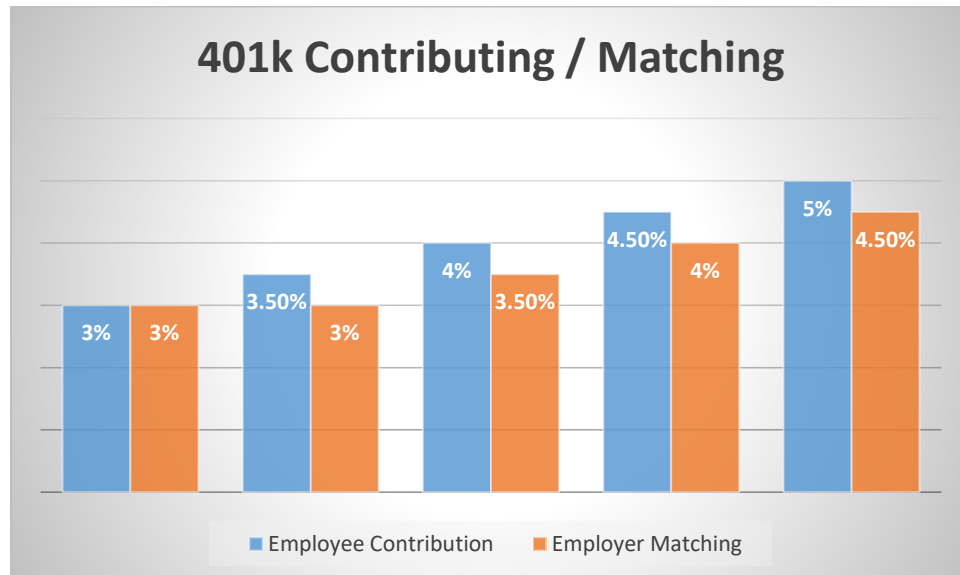




## New Leaf Inc. Traditional / Roth 401(k) Plans

### Your retirement journey starts today!

- One consecutive year with New Leaf Inc. makes you eligible to enroll in either of the 401k plans that we offer to our employees.
- When you contribute up to 3% of your income, “Hours paid – H&W” before taxes, New Leaf will match 100% of your contribution.
- Below is a chart that shows the max of what New Leaf will match towards your contribution.



- Starting to save early and contributing consistently is essential to preparing for retirement, even if it feels lightyears away. With a 401(k), you can make automatic contributions directly from your paycheck. It makes saving a simple and effortless process. And, since the deduction is taken before you get paid, you won't miss the money. When it does cross your mind, you should feel great that you're taking the right steps to secure your future!

If this is something you would be interested in once eligible to enroll, please feel free to contact Eric Schelling or Julie Krantz by phone at 360-679-2527 to schedule an appointment.



# Choosing Between Traditional and Roth 401(k)s



## Key Points

- How a Roth 401(k) Works
- Planning for Retirement
- Roth vs. Traditional 401(k)s: A Quick Comparison
- To Roth or Not to Roth?
- Points to Remember

The Roth 401(k) may appeal to workers willing to forego a tax break now in return for getting one at retirement. As its name implies, the Roth 401(k) combines features of a traditional 401(k) with those of a Roth IRA.

Like a traditional 401(k), workers enjoy the convenience of contributing through payroll deduction. But similar to a Roth IRA, contributions are made on an after-tax basis and withdrawals after age 59 1/2 are tax-free and penalty free for workers who have maintained their account for five years\*.

### How a Roth 401(k) Works

The Roth 401(k) follows many of the same rules as a traditional 401(k). For the 2008 tax year, federal laws permit a maximum annual contribution of \$15,500, although your employer may impose a lower limit. Your employer may provide a matching contribution as part of a Roth 401(k) offering. If you are age 50 or older, you

may contribute an additional \$5,000. The contribution limit applies to traditional 401(k) and Roth 401(k) contributions on a combined basis.

You may continue to participate in a traditional 401(k) while directing all or a portion of new contributions to a Roth 401(k). Your contributions to a Roth 401(k), however, are irrevocable – once made, they cannot be transferred to a traditional 401(k) account and funds in a traditional 401(k) cannot be switched to a Roth 401(k). Both Roth and traditional 401(k)s require distributions after the later of retirement or age 70 1/2 .

### Planning for Retirement

A Roth 401(k) may present a significant benefit when it's time for retirement – the funds can be rolled over directly to a Roth IRA with no tax payment, a feature that is not available with a traditional 401(k) account.

## Roth vs. Traditional 401(k)s: A Quick Comparison

The table below presents a summary of some of the most important differences between Roth and Traditional 401(k)s.

	Traditional 401(k)	Roth 401(k)
Tax Status of Contributions	Pretax contributions reduce current taxable income.	After-tax contributions do not affect current taxable income.
Tax Status of Distributions After Age 59 1/2	Taxed as current income.	Tax free and penalty free for investors who have had the account for at least five years*.
Rollovers to Roth IRAs	Must be rolled over first to a traditional IRA, then may be converted to a Roth IRA, which requires a tax payment.	May be rolled over directly to a Roth IRA with no tax payment.

In this document, all tax disclosures regarding Roth 401(k) contributions are limited to the federal income tax code and in particular, all references to tax-free treatment of qualified distributions are intended to refer to the treatment of such distributions at the federal level only.

\* 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.

A traditional 401(k) must first be rolled over to a traditional IRA and, if you are eligible, the traditional IRA may then be converted to a Roth IRA. A Roth IRA conversion requires you to pay taxes on the portion of the rollover that has not yet been taxed.

## To Roth or Not to Roth?

If you're considering making Roth 401(k) contributions, you may want to review the following points before making your decision:

- 1.** Although future tax rates are difficult to predict, you may benefit from a Roth 401(k) if you anticipate being in a higher tax bracket during retirement.
- 2.** Even if your marginal tax rate remains relatively stable, you may face a higher tax bill in retirement if you will no longer claim deductions for dependents, mortgage interest, and others frequently utilized by families. If this sounds like a likely scenario, a Roth 401(k) may be to your advantage.
- 3.** Will you need your retirement assets for living expenses during your later years? If not, a Roth 401(k) offers the opportunity to roll over funds directly to a Roth IRA, which does not require distributions after age 70 ½ during your lifetime. This situation may enhance the potential tax-free growth of your assets and enable you to bequeath a larger portion of your assets to your heirs.
- 4.** You are not subject to income limitations to participate in a Roth 401(k). For 2008, Roth IRAs are not available to single taxpayers with \$101,000 and married couples with \$159,000 or more in adjusted gross income. A Roth 401(k) may have some appeal

if you desire tax-free withdrawals but your income exceeds the limitations for a Roth IRA.

- 5.** The longer you remain invested in a Roth 401(k), the more you are likely to benefit from tax-free growth. If you plan to retire in less than five years, you will not get tax-free distributions, whereas your account may get a bigger boost from tax-free savings if you plan to continue working for a longer period of time.

Capitalizing on every option available to you may make it easier to pursue your long-term savings goal. If tax-free withdrawals could potentially benefit you, and your employer makes a Roth 401(k) available, consider adding it to your retirement planning mix.

## Points to Remember

- 1.** A Roth 401(k) offers the option of investing for retirement on an after-tax basis. In return for foregoing a tax deduction when the contribution is made, participants are able to make withdrawals free of penalties and federal income taxes during retirement, if the required conditions are satisfied.
- 2.** Workers may elect to make all or a portion of their 401(k) contribution to a Roth 401(k). Once made, however, a contribution cannot be transferred to a traditional 401(k) and assets in a traditional 401(k) cannot be switched to a Roth 401(k).
- 3.** The annual maximum contribution for 2008, for combined Roth 401(k) and traditional 401(k) contribution is \$15,500, plus an additional catch-up contribution of up to \$5,000 total for employees aged 50 and older.



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