

**8x8**

# 401(k) Plan Features & Benefits Contribution & Investment Strategies


*Presented by SageView Advisory Group*



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**SAGE  
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I

**Overview of 401(k) Plan Features**

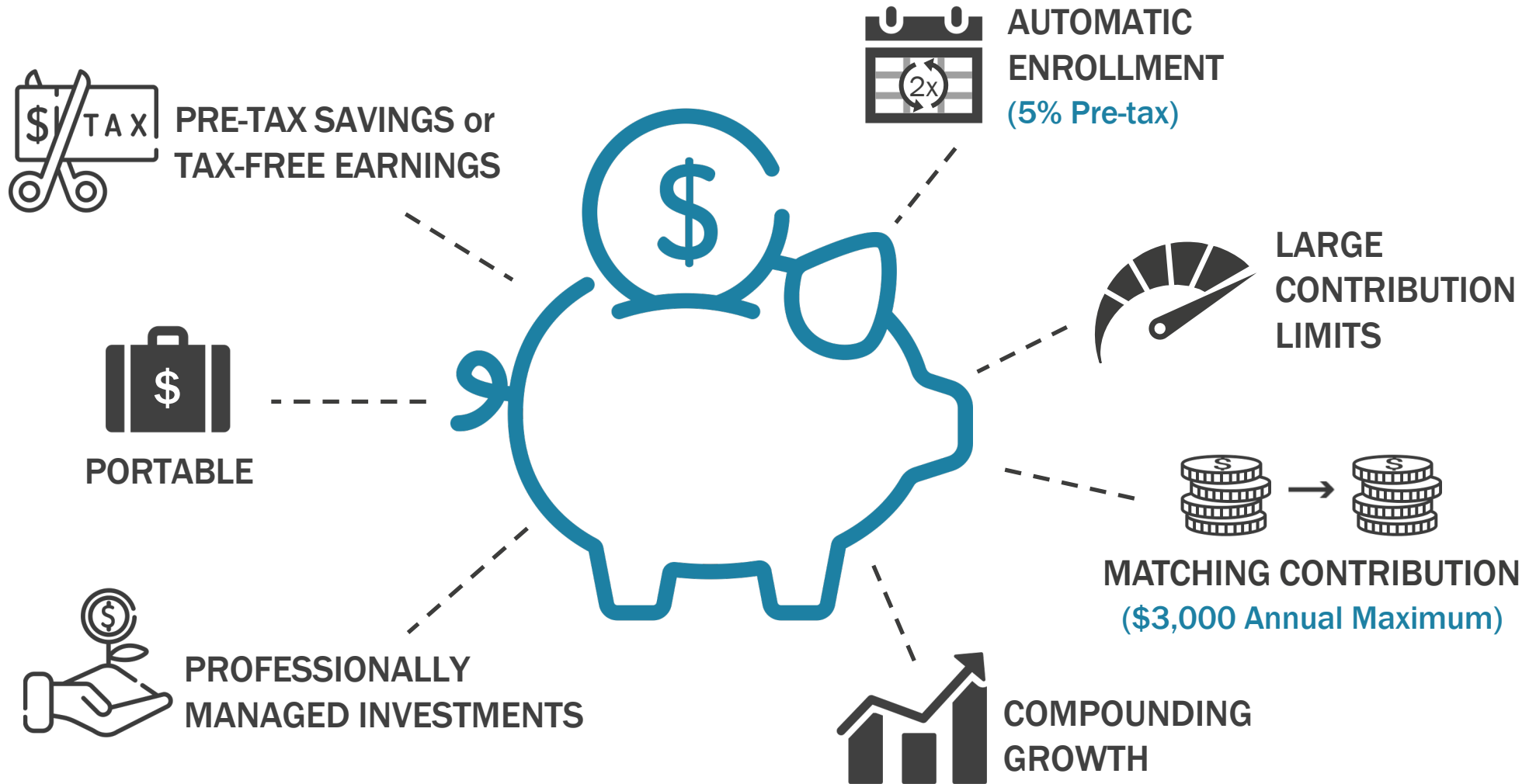
II

**Traditional, Roth, & After-tax 401(k) Contributions**

III

**401(k) Investment Strategies**

# Benefits of Your 401(k) Plan



**NEW!**

## Maximum annual employee contribution limit for 2024

Your Age (as of 12/31/23)	Eligible for \$7,500 Catch-up Contribution?	Maximum Contribution*
Under 49	No	\$23,000
50 or Older	Yes	\$30,500

\* After-tax contributions are *in addition to* the annual employee contribution limit and subject to IRS 415(c) annual limit of \$69,000 (\$76,500 if eligible for catch-up contributions).



## Traditional 401(k)

- ✓ Contributions go into your account *before* taxes
- ✓ Earnings grow *tax-free* while the money is in your account
- ✓ Income *taxes are paid* when you take your money out
- ✓ *Transferrable* to other pre-tax retirement accounts
- ✓ *Subject to Required Minimum Distribution* (RMD) at age 73

**Use the tax savings to increase your contributions and get a jump start on your retirement goals...**

## Roth 401(k)

- ✓ Contributions go into your account *after* taxes
- ✓ Earnings grow *tax-free* while the money is in your account
- ✓ *No income tax* is owed when you take your money out
- ✓ *Transferrable* to other Roth retirement accounts
- ✓ You can *avoid the Required Minimum Distribution* by transferring your balance to a Roth IRA.

**Take advantage of your lower tax rate today to avoid paying more taxes in retirement...**

**NOTE:** 401(k) contribution rules are separate from IRA contribution rules. Income limits do not apply to 401(k) plans.



**NEW!**

## Employee Contribution

**\$23,000**  
(\$30,500 if age 50+)

IRS annual limit on *employee* deferrals to Pre-tax and Roth accounts (including catch-up contributions, if applicable).

+

## Employer Contribution

**\$3,000**  
(100% match on first \$1,500;  
50% on next \$3,000)

The IRS total contribution limit for a 401(k) plan includes any employer contributions. If employee plus employer contributions do not exceed the limit, you may make additional contributions to reach this limit via the employee After-tax account.

+

## After-tax Contribution

**\$43,000**  
Can be converted to  
Roth account

=

## Maximum Contribution

**\$69,000**  

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**\$76,500**

IRS total annual contribution limit to a 401(k) plan.



## Roth 401(k)

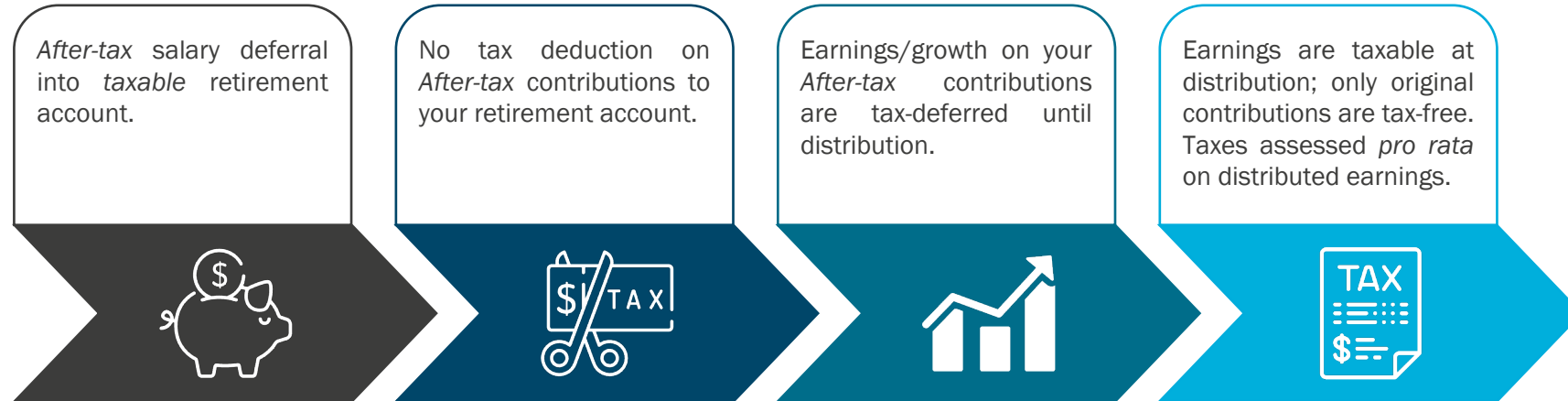
- ✓ Contributions go into your account *after* taxes
- ✓ Earnings grow *tax-free* while the money is in your account
- ✓ *No income tax* is owed when you take your money out (Note: earnings are subject to “5-year rule”)
- ✓ *Transferrable* to other Roth retirement accounts
- ✓ You can *avoid the Required Minimum Distribution* by transferring your balance to a Roth IRA.

## After-tax 401(k)

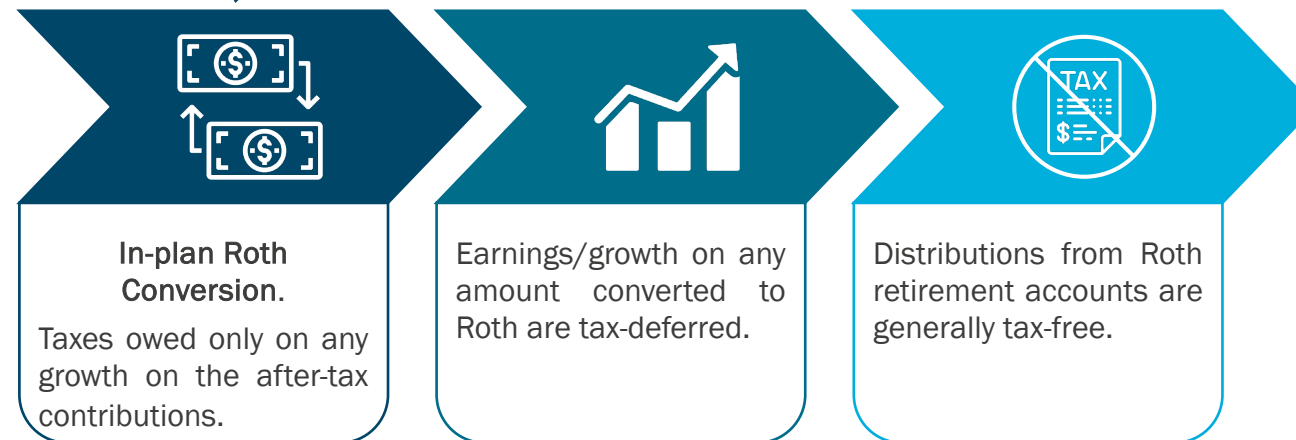
- ✓ Contributions go into your account *after* taxes
- ✓ Earnings grow *tax-free* while the money is in your account
- ✓ *Income taxes are owed* on all earnings; no income tax is owed on the original contributions (“basis”)
- ✓ *Transferrable* to other retirement accounts
- ✓ *Subject to Required Minimum Distribution* at age 73

**NOTE:** 401(k) contribution rules are separate from IRA contribution rules. Income limits do not apply to 401(k) plans.

# In-Plan Roth Conversion (a.k.a. “Mega Backdoor Roth”)



Alternate Tax Strategy





# Example of After-tax Roth Conversion



## 2024 Plan Year Contributions: **\$69,000**

- Employee Pre-tax Contribution: \$23,000
- Employer Match (Pre-tax): \$3,000
- After-tax Contribution: \$43,000

Taxable Basis: \$26,000

Tax-free Basis: \$43,000

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## Account Value in 2044: **\$267,008**

*(hypothetical 7% annualized RoR)*

## Distribution in 2044

Taxable Amount:

\$224,008

\$100,612

Tax-free Amount:

\$43,000

\$166,396

Taxes Owed:

**-\$56,002**

**-\$25,153**

*(hypothetical 25% effective tax rate)*

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## Income After Taxes:

**\$211,006**

vs.

**\$241,855**

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## Net Additional Income:

**\$30,849**

Summary Contributions Investments Withdraw/Borrow Bank/Tax Information Plan Information

## Contribution Amount per Pay Period

**1** Log onto the *Fidelity NetBenefits®* website & select “Contributions.”

**2** Enter your *After-tax* savings amount as a percentage of salary. *Maximum contribution to all sources is 70% per pay period.*

Contribution Amount	
<b>PRE-TAX</b>	
Current Election	2 %
Desired Election	<input type="text" value="3"/> %
<small>(0% to 25% in increments of 1%)</small>	
<b>ROTH</b>	
Current Election	2 %
Desired Election	<input type="text" value="3"/> %
<small>(0% to 25% in increments of 1%)</small>	
<b>Pre-tax and Roth Subtotal</b>	
Current Election	4 %
Desired Election	6 %
<b>AFTER-TAX</b>	
Current Election	0 %
Desired Election	<input type="text" value="0"/> %
<small>(0% to 25% in increments of 1%)</small>	
<b>After-tax Subtotal</b>	
Current Election	0 %
Desired Election	0 %
<b>Contribution Amount Total</b>	
Current Election	4 %
Desired Election	6 %
<small>(0% to 25%)</small>	

**3** Call Fidelity to setup *automated* in-plan Roth conversions:

**(800) 835-5097**

*After-tax* contributions can be automatically converted to Roth (typically 1-2 days after each pay period).

# Choosing (Pre-tax) Savings or Roth (Post-tax)



	Pretax 401(k)	Roth 401(k)
If you can afford to save more to your retirement account using the tax deduction you receive from contributing to the pretax 401(k)...		
If you expect your average tax rate to be higher in retirement than during your working years...		
If you have a high household income and want to maximize your annual tax deductions...		
If you already have significant retirement savings, you don't think that you will need the income from the 401(k) account, and you want to give your beneficiaries a tax-free inheritance...		

DISCLAIMER: SageView is not a licensed tax advisor. This is hypothetical and not tax advice. Speak to your own tax professional.



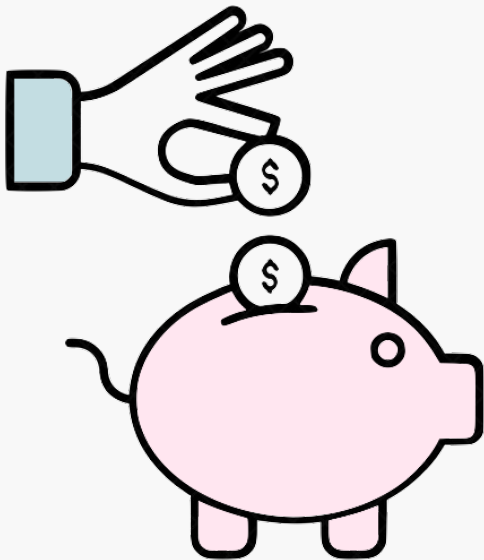
## After-tax 401(k)

You are contributing the annual maximum to your pre-tax or Roth 401(k) account and you want to have additional Roth assets.	
You are behind on your retirement savings relative to your age and you want to catch up to your savings target.	
You have sufficient short-term liquidity (i.e., an emergency savings account) and you do not expect to need access to the money until retirement age.	
You are currently in a high tax bracket and want to maximize your tax deductions, but you also want access to tax-free income in retirement (or you want an account that is exempt from RMDs).	

Using the 401(k) After-tax feature really is as easy as...

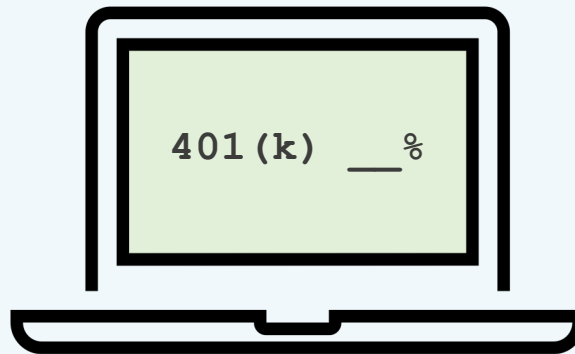
## STEP 1

Decide how much you want to contribute to your 401(k) Plan.



## STEP 2

Log into Fidelity *NetBenefits* and elect your *after-tax* contribution %.



## STEP 3

Call Fidelity to activate *Automated In-Plan Roth Rollovers*.



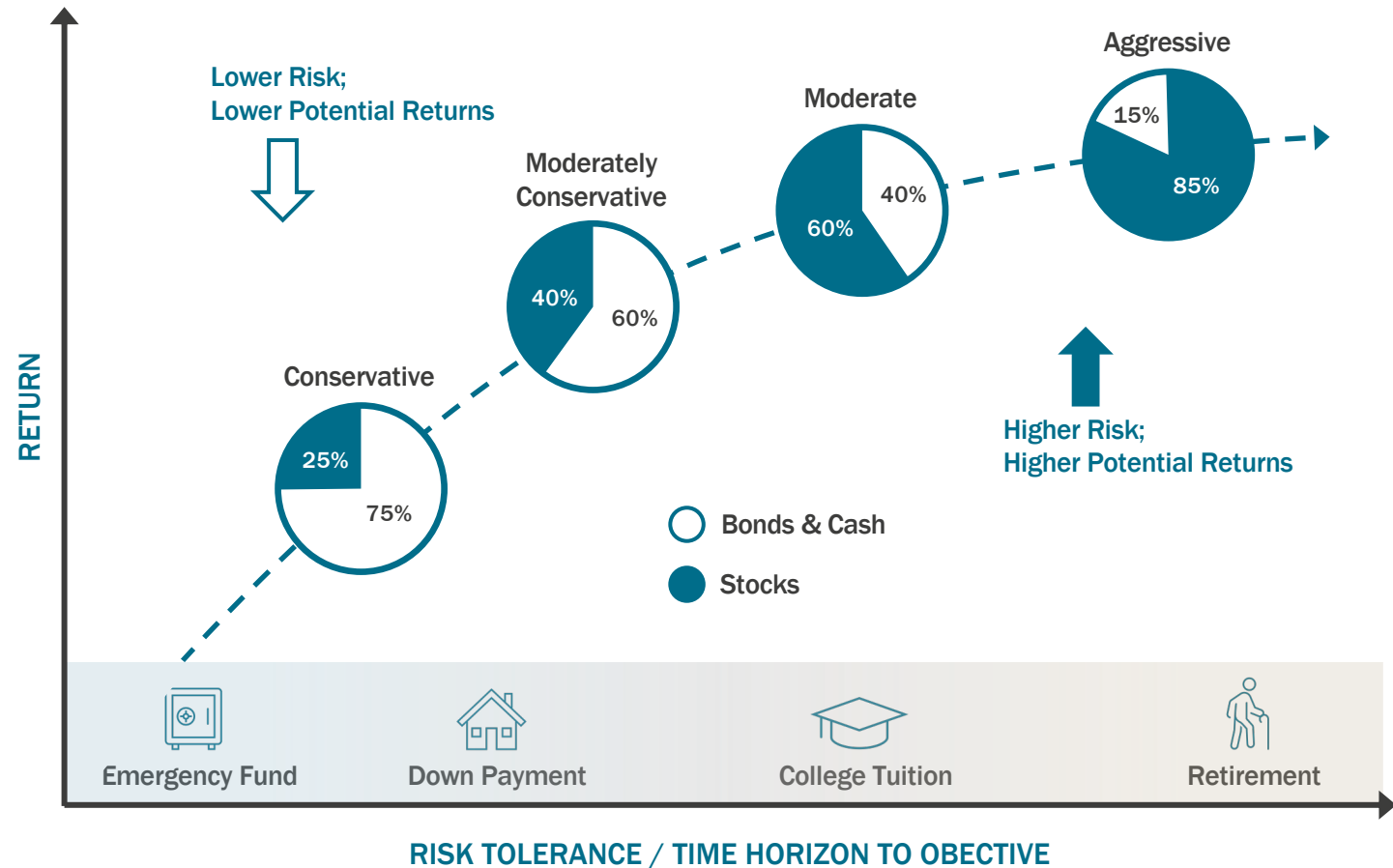
## Choose the right asset allocation for your investment time horizon.

You may want more stock market exposure if:

- Your investment time frame is long (10+ years).
- You expect high inflation.
- Your risk tolerance is high (you don't mind volatility).

You may want more exposure to fixed-income if:

- Your investment time frame is short (especially if it is less than 5 years).
- Your financial goals are already well-funded.
- Your risk tolerance is low.



*Diversification cannot protect against loss in a down market. This information is for educational purposes only and is not intended as investment advice.*

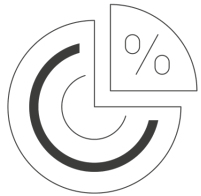


US EQUITY		
LARGE CAP VALUE	LARGE CAP BLEND	LARGE CAP GROWTH
Putnam Large Cap Value Fund	Fidelity 500 Index Fund	JP Morgan Growth Advantage Fund
MID CAP VALUE	MID CAP BLEND	MID CAP GROWTH
Victory Sycamore Established Value Fund	Fidelity Mid Cap Index Fund	Janus Henderson Enterprise Fund
SMALL CAP VALUE	SMALL CAP BLEND	SMALL CAP GROWTH
Victory Sycamore Small Company Opp Fund	Fidelity Small Cap Index	Fidelity Advisor Small Cap Growth Fund
FOREIGN EQUITY	CAPITAL PRESERVATION & FIXED INCOME	
American Funds Europacific Growth Fund Goldman Sachs Int'l Small Cap Insights Fund JP Morgan Emerging Markets Equity Fund	BlackRock High Yield Bond Fund Fidelity Advisor Stable Value Fund Fidelity U.S. Bond Index Pioneer Strategic Income Fund	
ASSET ALLOCATION	SECTOR FUNDS	
<i>T. Rowe Price Target Retirement Date Funds (Default Investment)</i>	Fidelity Real Estate Index Fund	

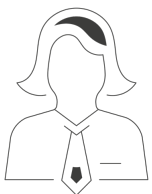
A target date mutual fund can serve as an investor's **all-in-one portfolio solution**. Bundle your investment selection, monitoring, portfolio allocation, and rebalancing into a single, convenient mutual fund. As you get closer to retirement and your risk profile changes, the fund becomes more conservative.



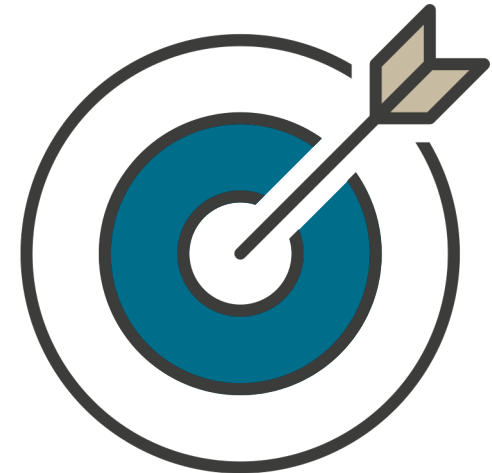
You choose **a single fund** with a target date that corresponds to your expected retirement year.



TDFs are generally **broadly diversified**, including a variety of stock, bond, and alternative investments, intended to respond differently when markets change.

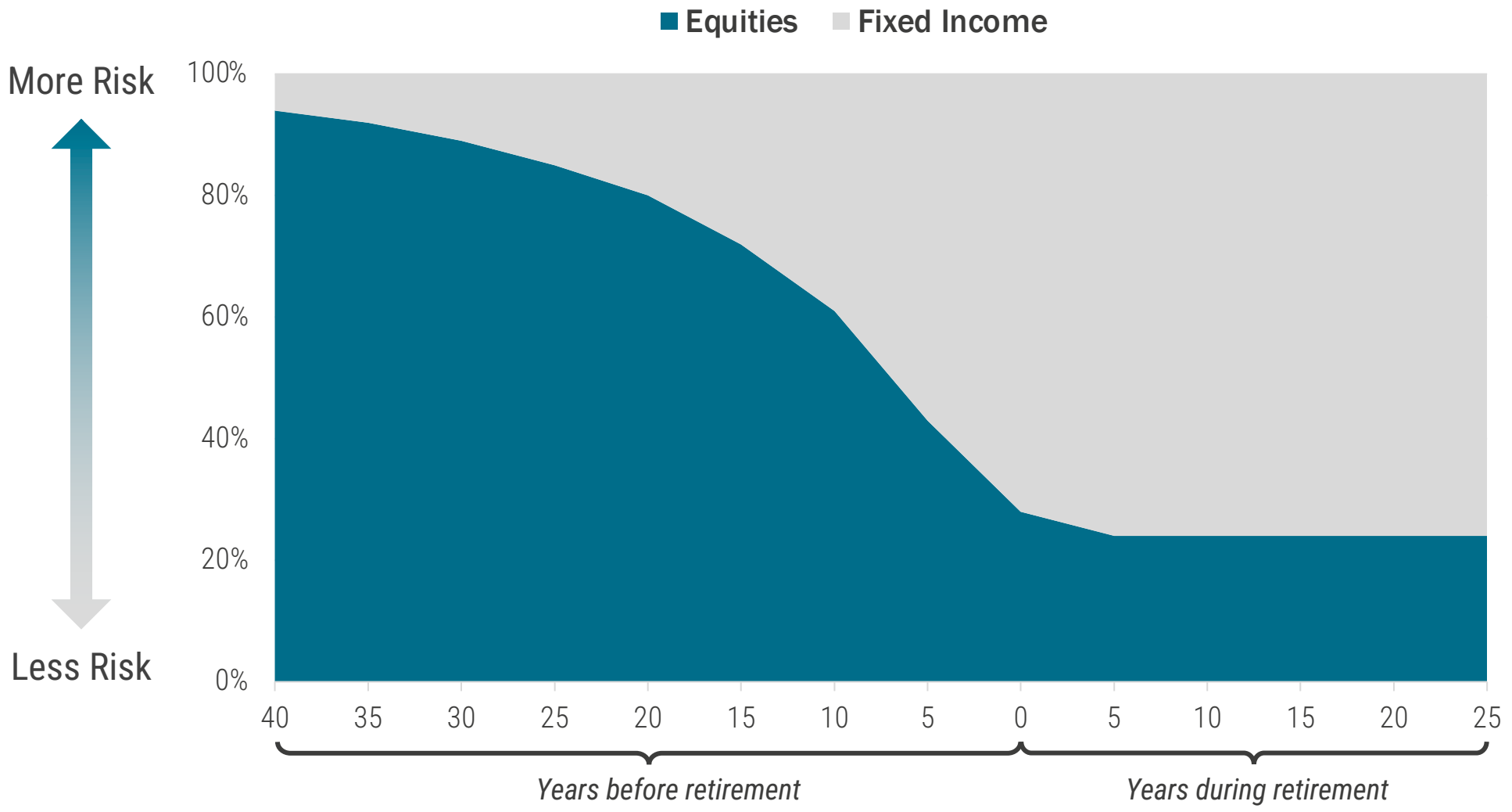


Experienced **money managers** follow a glide path that starts with a high percentage of stocks, then becomes more conservative by increasing fixed income exposure as the target date nears.

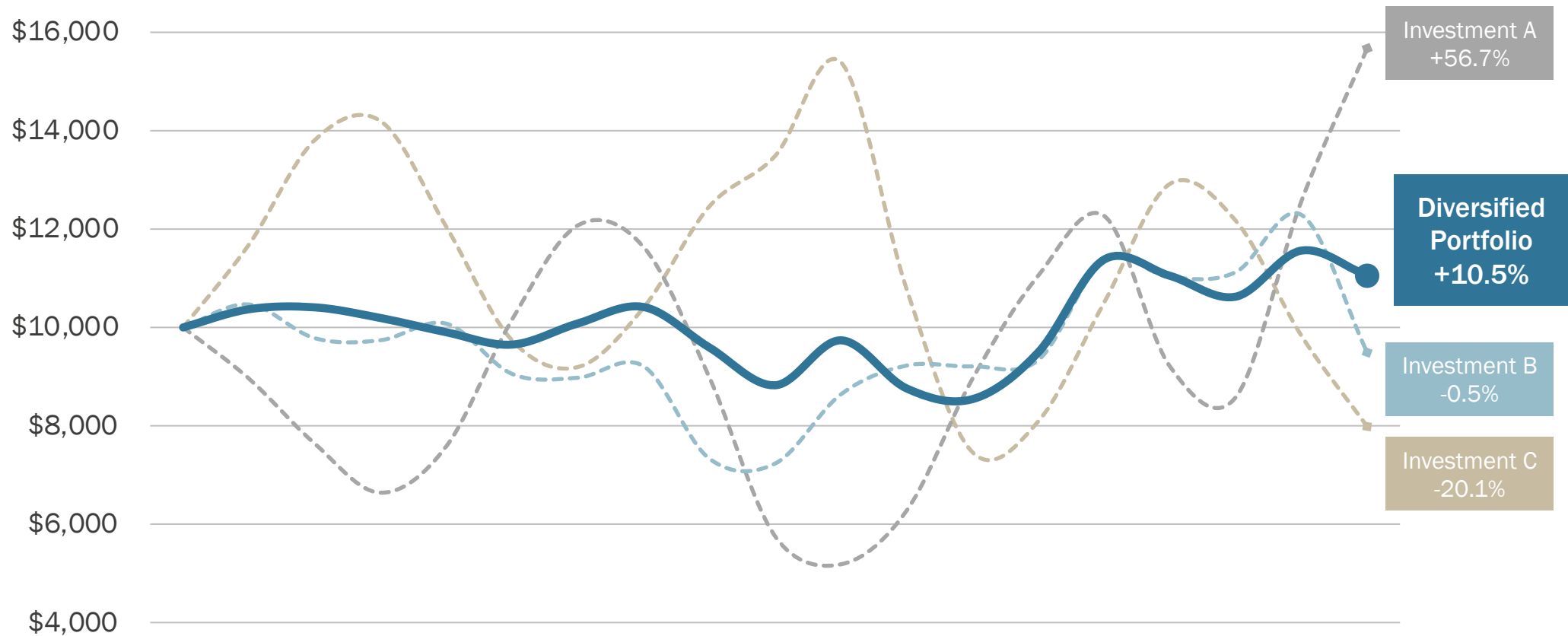




# Target Retirement Date Fund: Glide Path

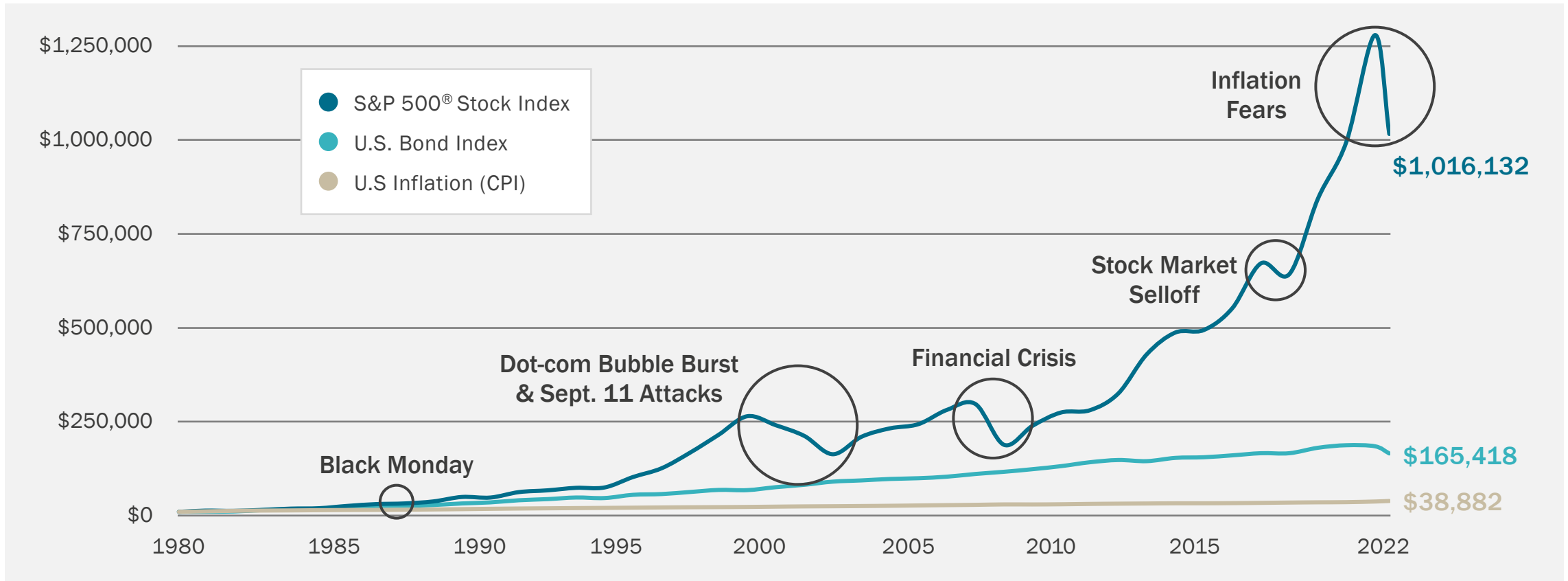


**Diversification** is a technique that potentially reduces various portfolio risks by allocating investments across different financial assets.



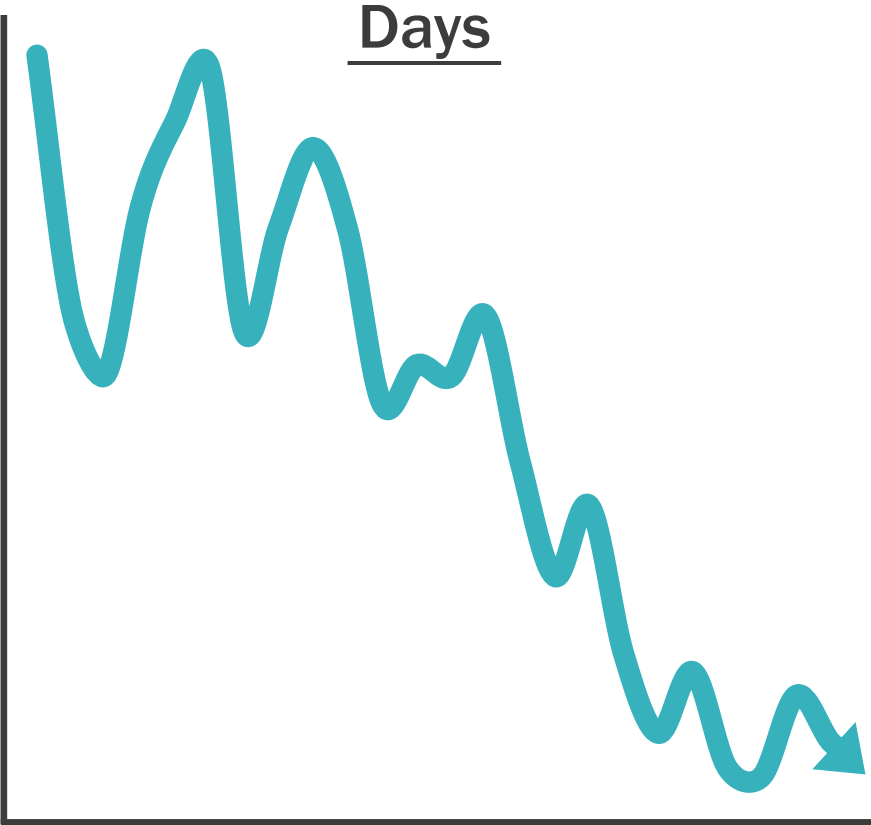
Above illustration is hypothetical and is not indicative of actual investment performance.

# Investing to Beat Inflation

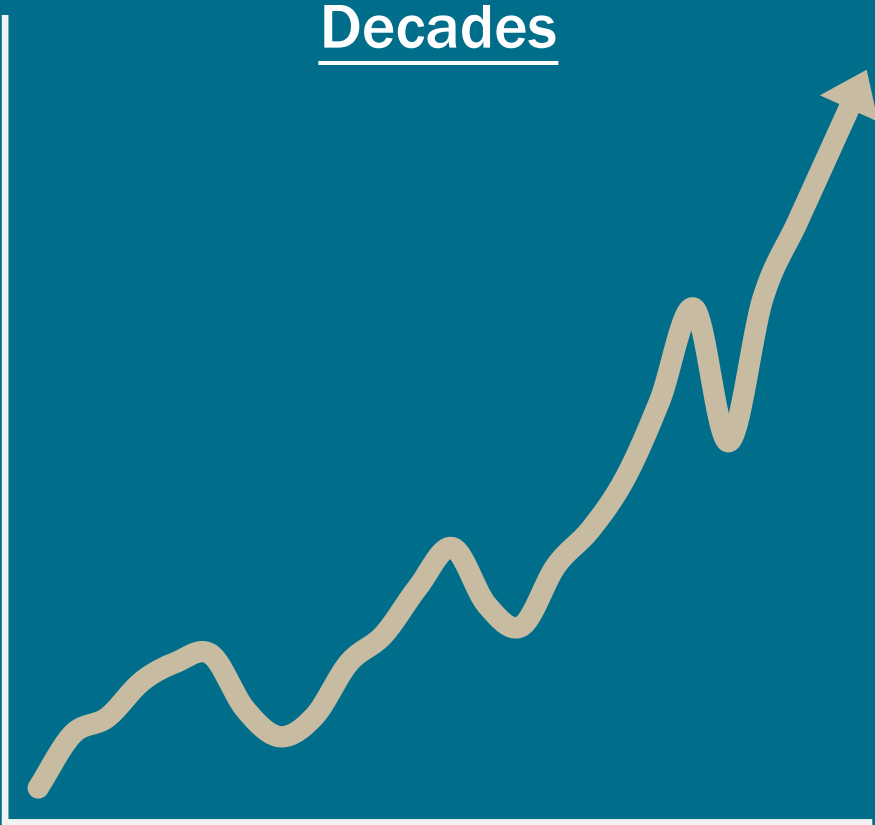


Hypothetical value of \$10,000 invested January 1, 1980, through June 30, 2022. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. Past performance is no guarantee of future results. The S&P 500 Index is a capitalization-weighted index of 500 widely traded stocks, considered to represent the performance of the stock market in general. Barclays Capital U.S. Aggregate Bond Index comprises government securities, mortgage-backed securities, asset-backed securities, and corporate securities to simulate the universe of bonds in the market. The *Consumer Price Index* is a measure maintained by the U.S. Bureau of Labor Statistics of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The indexes are not investment products available for purchase.

In summary: ignore the short-term noise...



...and focus on the long-term results.



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*Eric is a full-service financial consultant, dedicated to working one-on-one with retirement plan participants who have questions on asset allocation, retirement planning, insurance, investments, stock awards, and any other personal finance questions.*

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Strategic Advice Guidance and Empowerment

# THANK YOU

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