



Wisconsin Deferred Compensation Program

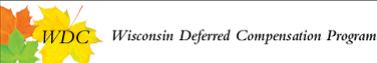
The WDC Roth Option

Is It Right for You?

April, 2012



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Roth



A type of retirement account, in which contributions are subject to income taxes, but qualified distributions are not

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Agenda

- WDC Roth Basics
- Contributions
- Taxes
- Rollovers
- At-a-Glance Comparison: Roth vs. Traditional
- Online Tool: Roth Contribution Analyzer

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WDC Roth Basics

- Now two contribution options
- May designate all or a portion of your elective deferrals
- Same investment options



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Roth Contributions vs. Traditional Contributions

- Roth Contributions:
(after-tax dollars)
- Traditional Contributions:
(before-tax dollars)

May choose a combination of both

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How much can I contribute in a year?

Example:

- **2012** IRS Limit = \$17,000* (under age 50) or 100% of includible compensation, whichever is less
- Age 50+ Catch-Up Contributions* Additional \$5,500 (up to \$22,500)
- Special 457(b) Catch-Up Contributions*
Up to \$34,000
 - May not use both catch-up contributions in the same calendar year

*Contribution Limits subject to change annually

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Do I pay taxes when I take a distribution from my WDC Roth account?

No, as long as:

1. You've reached age 59½, due to disability, or due to death (upon which your beneficiaries will take a withdrawal), **and**
2. You have held the Roth account for at least five years

- NOTE: Distributions cannot be taken until separation of service, approval of a financial hardship, or upon death

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How do WDC Roth contributions affect my take-home pay?

- Taxes on Roth contributions are paid up front
- Take-home pay is reduced

	Traditional WDC	WDC Roth
Annual Salary	\$40,000	\$40,000
Minus Before-Tax Contribution	\$5,000	\$0
Taxable Pay	\$35,000	\$40,000
Minus Estimated Income Tax*	\$6,650	\$7,600
Minus After-Tax Contribution	\$0	\$5,000
Take-Home Pay	\$28,350	\$27,400

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* FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration assumes 15% federal income tax withholding and 4% state and local income tax withholding. It does not account for Social Security, Medicare or other taxes. Source: Great-West Retirement Services®, 2011.

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Can I roll over my Roth IRA to the WDC Roth?

No . . .

. . . Roth IRAs can only be rolled over to other Roth IRAs



Can I contribute the maximum allowable amount to my Roth IRA and the WDC Roth?

Yes

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Can I roll over my WDC Roth account if I change employers?

Yes, but only to a Roth IRA, 401(k), 403(b) or governmental 457(b) plan that has a designated Roth account and accepts Roth rollovers



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When can I access the dollars I contribute to the WDC Roth?



When you:

- Retire and/or terminate employment
- Reach age 70½
- Are approved for a financial hardship
- Die (your beneficiary(ies) will receive your account)

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At-a-Glance Comparison*: Before-Tax WDC vs. After-Tax WDC Roth

	Before-Tax Traditional WDC	After-Tax WDC Roth
Is my contribution taxable in the year I make it?	No	Yes
Is my contribution taxed when distributed?	Yes	No
Are the earnings on my contributions taxed when distributed?	Yes	No, provided the distribution occurs after age 59½, death or disability and at least five years after your first contribution

12 * This information is based on guidance issued by the IRS to date and is subject to any additional restrictions found in your plan's document.

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At-a-Glance Comparison*: Before-Tax WDC vs. After-Tax WDC Roth

	Before-Tax Traditional WDC	After-Tax WDC Roth
If I change jobs, can I roll over my account?	Yes, to a qualified 401(a), 401(k), or 403(b) plan, an IRA, or a governmental 457(b)	Yes; Only to a Roth IRA, 401(k), 403(b) or government 457(b) plan that has designated Roth account & accepts Roth rollovers
What is the limit for my contributions? <i>(subject to change annually)</i>	<ul style="list-style-type: none"> • Combined limit for salary deferral: \$17,000 (in 2012) • Additional \$5,500 for age 50+ Catch-Up • If eligible, up to \$34,000 for Special WDC Catch-Up ** 	
Can I make an emergency withdrawal?	Yes, if you qualify	Yes, if you qualify
Do I have to take minimum distributions?	Yes, at the later of age 70½ or the year in which you retire	Yes, at the later of age 70½ or the year in which you retire

13 * This information is based on guidance issued by the IRS to date and is subject to any additional restrictions found in your plan's document.
** The Age 50+ Catch-Up and Special 457(b) Catch-Up may not be used in the same calendar year.

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Making the Best Choice for You



- **After-Tax Roth Contributions**
 - “Locks in” today’s tax rates on all contributions
 - Suitable for higher tax bracket at retirement
- **Before-Tax Traditional Contributions**
 - Suitable for lower tax bracket at retirement
- **Online Tool: Roth Contribution Analyzer**
 - Available on the WDC’s website at www.wdc457.org

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**Bottom Line:
Participate!**

Regardless of
contribution type
... Participate!

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**Thank you
for watching**

For more information about the WDC Roth, please contact your
local WDC representative.

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Form# CB1080Roth (6/11) PT123421

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