RPB

Pre-Tax vs. Roth (Post-Tax) Contributions

Choosing which is right for you

As an RPB plan participant, you can make your retirement account contributions with either pre-tax dollars, post-tax dollars (known as Roth contributions), or a combination of both.

YOUR OPTIONS: THE KEY TAKEAWAYS

- With **pre-tax contributions**, you don't pay taxes on the money you put in your RPB account now, but you will pay taxes on both your contributions and your investment earnings when you withdraw your money.
- With **Roth contributions**, you pay taxes now on the money you contribute, but it grows tax-free. When you make qualified withdrawals, you won't pay federal income tax on any of it.
- You can make both pre-tax and Roth contributions—and change your contribution preferences at any time.
- The IRS sets annual limits on contributions from your paycheck. If you're over 50, you can make catch-up contributions to raise that limit.
- Starting in 2026, if you earn more than $145,000, all of your catch-up contributions must be made as Roth contributions. If you earn $145,000 or less, you'll still be able to make both pre-tax and Roth catch-up contributions.
- Contributions to your account by your employer can only be made pre-tax.

Pre-tax vs. Roth contributions: How they work

Pre-tax contributions are taken out of your paycheck *before* federal and state taxes are withheld. This reduces the amount of income tax you pay now. After you retire and start withdrawing your money, you'll finally pay taxes on those contributions. You'll also have to pay taxes on any investment returns you've earned on those contributions.

Roth contributions are taken out of your paycheck *after* federal and state taxes are withheld. But those contributions—and their earnings—will be tax-free when you take out your money in retirement, as long as you make qualified withdrawals. (See below for more information on that topic).

You can split your contributions between pre-tax and Roth contributions in any way you like. And you can change how you make contributions at any time.

Clergy: Speak with your tax advisor to review the tax benefits of parsonage in retirement and the tax benefits of making Roth contributions.

COMPARISON OF CONTRIBUTION TYPES IN YOUR 403(B) PLAN

	Pre-tax contributions	Roth contributions (post-tax)
Employee contributions[1]	The IRS limits your total contributions each year. The 2025 contribution limit, including catch-up contributions is: • $23,500 for all participants • $31,000 for participants age 50 - 59 and age 64+[2] • $34,750 for participants age 60 - 63[3]	
Taxes on contributions	Contributions are made *before* taxes are withheld, so you pay less tax now.	Contributions are made *after* income taxes are paid.
Taxes on withdrawals	**Contributions** and **investment earnings** are taxed when you withdraw your funds. If you make a withdrawal before age 59.5, you'll pay an additional 10% penalty tax.[4]	**Contributions** are not taxed because they were made with post-tax dollars. **Earnings** on your contributions are federal-tax free if: 1. You've held your account for five years[5], and 2. You're at least age 59.5 (or disabled or deceased) If withdrawn before 5 years, your earnings will be taxed. If withdrawn before age 59.5, you'll pay a 10% penalty. Depending on where you live, you may have to pay state income tax on Roth earnings when you withdraw the money.
Required Minimum Distributions	You must start withdrawing money from your account when you reach age 73 (unless you're still working)	None
Tax-free money to heirs	Your heirs must pay regular income tax on withdrawals from your account.	Your heirs do not pay taxes as long as you've had the account for at least 5 years.

[1] Employee contributions, known as elective deferrals, can only be made to the RPB 403(b) plan and cannot exceed IRS limits. Employer contributions more than the annual IRS limit will automatically go into the participant's account in the Rabbi Trust plan.
[2] Includes maximum catch-up contribution of $7,500 in 2025.
[3] Includes maximum catch-up contribution of $11,250 in 2025.
[4] Clergy parsonage tax exclusion may apply. If you stop working for an RPB-eligible employer during or after the year you reach age 55, there is no 10% penalty.
[5] Beginning January 1 of the year that you made your first Roth contribution. If you roll over Roth savings from another qualified plan into the RPB plan, the earlier "first contribution" year of either plan will be used to determine if the 5-year rule is met.

Which is best for you?

Below are some things to keep in mind to help you decide which type of contributions to make. Remember that it's not an either/or decision. **You can make pre-tax and Roth contributions** and take advantage of the benefits of both when you retire.

Pre-tax contributions may be right for you if:	**Roth (post-tax) contributions** may be right for you if:
• **Your tax rate is higher now than you expect it to be in retirement.** • **You're on a tight budget.** Making pre-tax contributions postpones your taxes, keeping more money in your paycheck now. • **You want to reduce the amount of income tax you pay in the current year.** • **You have other tax benefits available to you in retirement.** (Clergy can reduce their income tax burden in retirement with their parsonage tax exclusion.)	• **Your tax rate is lower (or the same) now than you expect it to be in retirement.** • **You have a longer time horizon**—especially if you are early in your career—to accumulate qualified tax-free earnings. • **You want to leave tax-free money to your heirs.** • You want to build tax-free retirement savings but either **earn more than the Roth IRA income limits** or want to **contribute more than the Roth IRA's annual cap.** • **Clergy:** You anticipate your parsonage tax exclusion in retirement to be lower than the income you will need to live on.

STILL NOT SURE?

You can speak with a Fidelity retirement planner (free to all RPB plan participants) and/or your financial and tax advisors to help you decide what's right for you.

Questions?

We're here to help.

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Disclaimer: This information is intended to be educational and is not specific to any individual investor. A Roth 403(b) distribution is federally tax-free and penalty-free, provided the five-year holding period has been satisfied and one of the following conditions is met: age 59½, disability, or death. State taxes may apply. Elective contributions to both pre-tax and Roth 403(b) accounts are subject to the annual IRS dollar limit under Section 402(g) of the Internal Revenue Code, plus allowable catch-up contributions.