Roth Contribution Guide

The Personal Investment Plan (PIP) allows participants to make before-tax, Roth and after-tax contributions. The Horizon 401(k) Plan (Horizon) allows participants to make before-tax and Roth contributions.

Unlike other contribution types, earnings on Roth contributions may be distributed tax-free if your first Roth contribution was made at least five years prior to your distribution and you have attained the age of 59½, are permanently disabled or deceased. This unique savings opportunity creates a decision point for you: *Is Roth right for me?*

This *Roth Contribution Guide* provides a general overview of how Roth contributions work. Reviewing this *Guide* is your first step in deciding whether Roth contributions are right for you. Once you have a basic understanding of Roth contributions, we recommend you contact EY Financial Planning Services at **1-800-360-2539** between 8:00 a.m. and 7:00 p.m., Central time, for a personalized, no-cost Roth consultation. Then, if you want to change your current contribution election, simply complete and submit your contribution election form to your employer, church or conference as you normally would.

ACTION PLAN:

1. Review this *Guide*.
2. Call EY at **1-800-360-2539** to determine if Roth is right for you.
3. Complete and submit your new contribution election.

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How do Roth contributions compare to other contribution types?

	Before-Tax Contributions	Roth Contributions	After-Tax Contributions
What plan(s) accept each contribution type?	• PIP • Horizon	• PIP • Horizon	• PIP
Are contributions made with before-tax or after-tax dollars?	• Before-tax dollars	• After-tax dollars	• After-tax dollars
How are distributions taxed?	• Contributions and earnings are taxable	• Contributions are not taxed again • Earnings are tax-free if "qualified"	• Contributions are not taxed again • Earnings are taxable

When will distributions from your Roth account be 'qualified'?

Because Roth contributions are made with after-tax dollars, you will not be taxed on them again when you take a distribution. Earnings on Roth contributions are qualified, or tax-free at distribution, if your first Roth contribution was made at least five years prior to distribution and you are:

- 59½ or older,
- Permanently disabled, or
- Deceased.

If your Roth account distribution does not meet these qualification requirements, earnings on your Roth contributions will be subject to ordinary income tax.

Are Roth contributions right for you?

Roth contributions may reap advantageous tax results for some participants, but could actually harm tax outcomes for others. Your goal in deciding whether to make Roth contributions is to determine if they will create a tax advantage for you in the future.

BEFORE DECIDING WHETHER TO MAKE ROTH CONTRIBUTIONS, CONSIDER YOUR OVERALL RETIREMENT SAVINGS STRATEGY.

- How much money are you currently saving for retirement?
- When do you expect to retire?
- Will you have adequate income from your savings to fund your retirement years?
- Are you maximizing your savings opportunity in PIP or Horizon?
- Should you consider increasing your contributions?

ONCE YOU HAVE ANSWERED THOSE FOUNDATIONAL QUESTIONS, CONSIDER YOUR OVERALL INCOME TAX CIRCUMSTANCES BEFORE ELECTING ROTH CONTRIBUTIONS.

- Do you want a tax-free pool of money to draw on in retirement?
- How much time do you have to accumulate tax-free earnings?
- When you begin receiving distributions, do you expect to be in a higher tax bracket than your current bracket?
- How does your clergy housing allowance exclusion and/or SECA tax situation, if applicable, impact your overall contribution strategy?
- Do you want to leave tax-free money to your heirs?

IN GENERAL, ROTH CONTRIBUTIONS MAY BE RIGHT FOR YOU IF ANY OF THE FOLLOWING STATEMENTS ARE TRUE:

- You currently make after-tax contributions to PIP.
- You expect to be in a higher tax bracket during retirement when compared to your tax bracket during your working years.
- You have many years to save, resulting in the potential for significant investment earnings over time.
- You want to have a tax-free income source for yourself in retirement or for your heirs upon your death.

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Like most people, you may want personalized help evaluating your overall financial plan and deciding whether to make Roth contributions. EY Financial Planning Services will help you weigh the pros and cons of Roth contributions in light of your personal circumstances. Contact EY at **1-800-360-2539** between 8:00 a.m. and 7:00 p.m., Central time, for a one-on-one Roth consultation at no cost. You may also want to consult with your personal tax or financial adviser if you have one.

Is your Roth account in PIP or Horizon related to your Roth IRA?

Your Roth account in PIP or Horizon is in addition to your Roth IRA, if you have one. Notably, Roth IRAs are subject to different eligibility requirements, contribution limits and required minimum distribution rules. In contrast to Roth IRA rules, you may make Roth contributions to PIP or Horizon regardless of your income level. Also, your Roth contributions to PIP or Horizon are subject to the required minimum distribution rules, whereas Roth IRA balances are not. If you have questions about your Roth IRA, contact the financial institution that administers it.

How do you elect to make Roth contributions to PIP or Horizon?

Making your Roth contribution election is easy. Simply complete a contribution election and submit it to your employer, church or conference as you normally would.

Select your contribution form by visiting **wespath.org/r/pip**.

Remember to consult with EY or your personal financial planner before deciding to make a Roth contribution election.

Can you reclassify Roth contributions once you have made them

Contributions originally made on a Roth basis cannot be reclassified as a before-tax or after-tax contribution later. You can, however, change your future contribution election at any time.

Can you roll over your other Roth accounts to PIP or Horizon?

PIP and Horizon will accept rollovers of Roth accounts from other employer-sponsored retirement plans that allow Roth contributions. However, applicable law does not allow Roth IRAs to be rolled over into your PIP or Horizon Roth account because of the different rules that apply to Roth IRAs. Contact Wespath at **1-800-851-2201** for rollover assistance.

Do you have more questions?

Contact EY Financial Planning Services at **1-800-360-2539** for help deciding whether Roth contributions are right for you. Contact Wespath at **1-800-851-2201** for help changing your contribution election or if you have any other questions about PIP or Horizon.

IMPORTANT NOTES…

Wespath is providing this Roth Contribution Guide to help our participants form a broad understanding of Roth contributions. The information in this Guide is not intended as tax or legal advice and should not be construed or relied upon as such. You are always encouraged to discuss your personal circumstances with your tax, legal or financial adviser.

If you are a clergyperson, you should consider your housing allowance exclusion and/or SECA tax circumstances, as applicable, before electing to make Roth contributions. EY Financial Planning Services has developed clergy-specific tools to help you understand the impact of your housing allowance exclusion and/or SECA tax circumstances on your Roth decision. Your tax liability on PIP distributions could also be impacted by your housing allowance exclusion. Contact EY Financial Planning Services for personalized assistance in this regard.

Before-tax and Roth contributions combined cannot exceed the applicable annual limit under 402(g) of the Internal Revenue Code (Code), plus allowable catch-up contributions. For 2024, the 402(g) limit is $23,000. If you are age 50 or older by the end of the year, you may contribute an additional $7,500. If you have 15 years of service with a Church-related employer, you may be eligible to contribute an additional $3,000 to PIP, subject to a maximum lifetime limit of $15,000 and other rules. After-tax contributions, like before-tax, Roth and employer contributions, are included in the annual aggregated contributions limit under 415(c) of the Code. The 415(c) limit does not include catch-up contributions. For 2024, the 415(c) limit is the lesser of $69,000 or your taxable compensation.

The Roth IRA contribution limit is $7,000 in 2024 ($8,000 for people age 50 or older).

If you roll over your eligible distribution to another plan or IRA, pending tax liability continues to be deferred until a distribution is made directly to you. Taxable distributions made prior to attainment of age 59½ are usually subject to a 10% penalty tax.

The five-year qualification period for Roth contributions begins with the first taxable year during which a Roth contribution was made to PIP or Horizon. In the event that Roth contributions and earnings are rolled over to PIP or Horizon, the five-year qualification period begins with the first taxable year during which a Roth contribution was made to the original plan, if earlier.

Costs for EY Financial Planning Services are included in Wespath's operating expenses that are paid for by the funds.

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