



Frequently Asked Questions on Roth Contributions

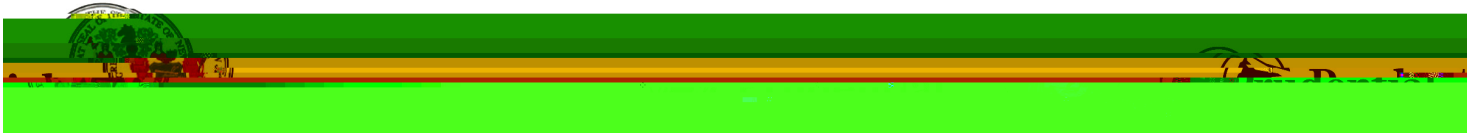
Q1. What are Roth contributions?

Roth contributions are contributions you make to the NJSEDCP on an **after-tax** basis. Roth contributions and any earnings on those contributions are federal income tax-free upon distribution if the distribution is a “qualified distribution.” See Q17 below for more information.

Q2. How are Roth contributions different from traditional pre-tax contributions?

Traditional contributions are made on a **pre-tax** basis, reducing your federal income taxes at the time you make the contribution. Traditional pre-tax contributions, and any earnings on those contributions, are subject to ordinary taxes when you withdraw your money from the Plan.

Roth contributions are made on an **after-tax** basis, so the amount you contribute is included in your W-2 as income in the year you make your contribution.



Q7. How do I decide which contribution type is better for me?

Choosing between pre-tax and Roth contributions is a personal decision based on your own situation and priorities. There are some questions you may want to consider, such as:

Do you expect your federal tax rate in retirement to be higher than it is currently?

Are you restricted from making Roth IRA contributions due to your income level?

Do you want to minimize your taxable income during retirement?

Do you want to leave tax-free money to your heirs?

Can you afford to contribute the same amount into your account and pay taxes on that amount today?

If you answered “yes” to any of these questions, designating a portion of your contributions as Roth

Q15. Can I make Roth contributions to the NJSEDCP and to a Roth IRA?

Making Roth contributions to the Plan does not impact your eligibility to make Roth IRA contributions. Based on your income, however, you may not be able to contribute to a Roth IRA.

Q16. Are there withdrawal restrictions on Roth money?

Withdrawals of Roth contributions and earnings are subject to the same Plan distribution rules as pre-tax

