

<Today's Date>

<Full Name>

<Address Line 1>

<Address Line 2>

<City>, <State> <ZIP Code>

Re: After-tax vs. Roth Contributions to the United Methodist Personal Investment Plan (UMPIP)

Dear <Full Name>:

Wespath has identified you as a participant who is making after-tax contributions to your UMPIP account. Roth contributions were introduced in 2016 for Wespath participants in UMPIP. For some participants, Roth contributions may provide better tax advantages than after-tax contributions. Since we've received feedback that there is some confusion surrounding these contribution types, we'd like to highlight the differences for your consideration.

How the Contribution Types Are the Same

Both Roth and after-tax contributions are deducted from your pay on an after-tax basis, meaning that your pay is reduced by the full amount of the contribution after federal and state taxes have been withheld. When you take an eligible distribution from UMPIP, your *contributions* are distributed tax free for both after-tax and Roth.

How the Contribution Types Are Different

Investment earnings may be a significant portion of your final account balance. Only Roth contributions allow participants to potentially avoid taxes from these *earnings*—meaning *all qualified distributions*¹ from the account are tax-free.

Example:

If you make monthly contributions totaling \$5,000 a year from age 25 to 65—a total of \$200,000—you could retire with more than \$834,000.²

- If you made after-tax contributions for the full amount, you would be able to receive:
 - \$200,000 in tax-free distributions of personal contributions, ***and***
 - \$634,000 in distributions of earnings that would be subject to taxation.
- If you instead made ***qualified*** Roth contributions, **the full \$834,000 could be distributed tax free.**

1. Roth contributions are qualified if the five-year aging requirement has been satisfied and the participant is age 59½ or older, deceased or meets the IRS definition for disability.

2. Assumes annual return of 6%.

How to Make a Decision

You might find that before-tax contributions are a better choice or an appropriate complement to Roth or after-tax contributions for meeting your specific savings goals. Wespath developed a *Roth Contribution Guide* at wspath.org/roth to help with your decision making.

We also offer one-on-one Roth consultations from EY Financial Planning Services at no additional cost to help you weigh the pros and cons of different contribution types. EY professionals are available business days from 8:00 a.m.-7:00 p.m., Central time at **1-800-360-2539**.³

If you have any questions, contact Wespath at **1-800-851-2201** business days from 8:00 a.m. to 6:00 p.m., Central time.

Sincerely,

Wespath Benefits and Investments

3. EY Financial Planning Services are available to active participants and surviving spouses with account balances, and to retired and terminated participants with account balances of at least \$10,000. Costs for these services are included in Wespath's operating expenses that are paid for by the funds.