

ROTH A NEW WAY TO SAVE

The addition of Roth contributions are now available for Mississippi Deferred Compensation (MDC). Roth gives you additional flexibility in how you save for retirement and manage future taxes.

What is a Roth contribution?

A Roth contribution is a retirement contribution made after taxes are withheld from your pay. Any earnings on Roth contributions may be withdrawn tax-free if the withdrawal qualifies under IRS rules.

When are Roth withdrawals tax-free?¹

Qualified Roth withdrawals are generally federal income tax-free if:

- You are eligible for a distribution.
- Your Roth account has been held for at least five tax years.
- One of the following applies:
 - You are age 59½ or older.
 - You become disabled.
 - The withdrawal occurs after your death, in which case your beneficiary receives the distribution.

The five-year requirement begins on January 1 of the tax year in which you first make a Roth contribution to your MDC account.

If a withdrawal occurs before these requirements are met, earnings distributed from the Roth account may be subject to income taxes and, in some cases, additional penalties.

Because Roth contributions are made with after-tax dollars, you generally do not pay taxes again on the Roth contributions themselves when withdrawn.

What are the required minimum distribution (RMD) rules for Roth contributions?

Beginning in 2024, designated Roth accounts in employer-sponsored retirement plans, like MDC, are no longer subject to required minimum distributions (RMDs) during the account owner's lifetime under current federal law.

Pre-tax balances in your account may still be subject to RMD rules when required by the IRS. Because tax laws may change and individual circumstances vary, you may wish to consult a financial or tax professional regarding your retirement distribution strategy.

How do Roth contributions differ from pre-tax contributions?

Pre-tax contributions may reduce your taxable income today because taxes are deferred until money is withdrawn.

Roth contributions are taxed when contributed, but qualified withdrawals in retirement may be tax-free.

The chart on the next page highlights some of the key differences between pre-tax and Roth contributions. Understanding how each option is taxed today and in retirement can help you decide which approach may be appropriate for your situation.



BEFORE-TAX 457**AFTER-TAX ROTH 457****Is my contribution taxable in the year I make it?**

No

Yes

Is my contribution taxed when distributed?

Yes

No

Are the potential earnings on my contributions taxed when distributed?

Yes

No, provided the distribution occurs after you have reached age 59½ or upon disability or death AND no earlier than five tax years after your first Roth 457 contribution¹**If I change jobs, can I roll over my account?**

Yes, to a qualified 401(k) plan, traditional IRA, Roth IRA, 403(b) plan, or governmental 457(b) plan if the plan allows it

Yes, to a Roth IRA or governmental 457(b) plan, 401(k) plan, or 403(b) plan if the plan has a designated Roth account and accepts rollovers²**If I experience an unforeseeable emergency, can I make a withdrawal?**

Yes

Yes

Do I have to take a minimum distribution at age 73?

Yes

No

What is the maximum amount I can contribute?

Combined limit for contributions in 2026: \$24,500 or \$32,500, which includes the additional \$8,000 age 50+ catch-up contribution. If you are age 60 to 63, your combined maximum amount would be \$35,750, which includes the \$11,250 extra catch-up. If you are eligible for special 457 catch-up contributions, you can contribute up to \$49,000 in 2026. The age 50+ catch-up and three-year catch-up provisions may not be used in the same year.

*Consider all options, including leaving your money in your existing retirement plan, and compare benefits, tax consequences, fees, and expenses before moving your money.***Can I contribute to both pre-tax and Roth at the same time?**

Yes, you can split your contributions between pre-tax and Roth sources in any percentage you choose, as long as your combined contributions do not exceed applicable IRS contribution limits.

Many people choose a combination of pre-tax and Roth contributions to create greater tax diversification for retirement.

If I choose Roth now, can I change my mind later?

Yes. You can change how future contributions are made, subject to Plan rules. However, contributions already made will remain in the tax treatment under which they were originally contributed.

For example, you can:

- Switch future contributions from pre-tax to Roth.
- Switch future contributions from Roth to pre-tax.
- Adjust the percentage allocated to each source.

Changing your contribution election does not change the tax treatment of amounts already contributed. However, if permitted by the Plan, you may be able to convert eligible existing pre-tax amounts to Roth through an in-plan Roth rollover. A conversion is generally taxable in the year of the conversion and cannot be reversed.

¹ Roth withdrawals are federally tax-free if they are *qualified distributions* as defined by the IRS. For a distribution to be qualified, the account must have been open for at least five years, and the withdrawal must occur after age 59½, death, or disability. Earnings withdrawn before those conditions are met may be subject to taxes and penalties. Tax laws are subject to change. State and local taxes may still apply.

² Eligible employer plans include qualified plans (e.g., 401(k), governmental 457(b), and 403(b) plans). Roth contributions can only be rolled over to another designated Roth account or to a Roth IRA. Funds rolled into a governmental 457 plan from another type of plan or account may still be subject to the 10% early withdrawal penalty if taken before age 59½. Assess all features of current accounts before moving money.

Do Roth contributions affect take-home pay?

Roth contributions generally reduce your take-home pay more than pre-tax contributions because you pay taxes on Roth contributions before they are deposited into your account.

With pre-tax contributions, taxes are generally deferred until retirement distributions are taken.

Because Roth contributions are made after taxes, they generally have a greater impact on your take-home pay than pre-tax contributions of the same amount.

The example below compares the estimated take-home pay impact of contributing \$100 on a pre-tax basis versus a Roth basis.

BEFORE-TAX

Monthly salary (before taxes are taken out)	\$3,750
Saving \$100 before-tax	-\$100
Taxable pay	\$3,650
Estimated income tax	-\$803
Take-home pay	\$2,847

ROTH AFTER-TAX

Monthly salary (before taxes are taken out)	\$3,750
Taxable pay	\$3,750
Estimated income tax	-\$825
Saving \$100 with Roth after-tax	-\$100
Take-home pay	\$2,825

FOR ILLUSTRATIVE PURPOSES ONLY. Assumes a \$45,000 annual salary and a 22% federal, state, and local tax rate. Taxes on savings are deferred until withdrawal. Pre-tax deferrals do not lower your income for FICA and FUTA tax-withholding purposes.

Why would I consider Roth contributions?

You may consider Roth contributions if you want:

- Additional tax diversification.
- Greater flexibility when planning retirement income.
- Potential tax-free qualified withdrawals in retirement.

Tax diversification means having retirement savings that may be taxed differently in retirement. Some people value having both pre-tax and Roth retirement savings because they may provide greater flexibility when managing retirement income and taxes.

Roth contributions allow you to pay applicable taxes on contributions today rather than deferring taxation until retirement.

Because everyone's situation is different, you may wish to consult a financial or tax professional before making a decision.

How do I know if Roth is right for me?

Whether Roth or pre-tax contributions are appropriate depends on your current tax situation, your expectations for retirement income, and your personal financial goals. Some people prefer pre-tax contributions for a tax benefit today, while others prefer Roth contributions because qualified withdrawals may be tax-free in retirement. Many people choose to use both.

Does choosing Roth change how my money is invested?

No. Choosing Roth or pre-tax only changes how contributions are taxed. You can generally choose the same investment options regardless of whether contributions are pre-tax or Roth.





HOW MUCH CAN I CONTRIBUTE?

The maximum amount you can contribute to MDC in 2026 is \$24,500.

- If you are age 50 or older in 2026, you may contribute an additional \$8,000 in catch-up contributions.
- If you are age 60 to 63 in 2026, you may contribute an additional \$11,250 in catch-up contributions.
- If you are within the three years prior to the year you attain normal retirement age under MDC, you may be eligible to contribute up to \$49,000 in 2026 under the three-year special catch-up provision. Eligibility and contribution amounts depend on unused contribution opportunities from prior years.

Only one catch-up provision may be used during a single tax year.

How does the MDC Roth option differ from a Roth IRA?

Contribution limits

- Roth IRA contributions are limited to the applicable IRS maximum for the year.
- MDC allows significantly higher contribution limits.

Eligibility

- Individuals with higher incomes may be ineligible to contribute directly to a Roth IRA.
- You can make Roth contributions to MDC regardless of income.

Can I roll Roth money from a previous employer into MDC?

You may be able to roll eligible Roth balances from a previous employer-sponsored retirement plan into MDC, subject to Plan provisions and IRS requirements.

Eligible rollover sources may include:

- Roth 401(k) balances.
- Roth 403(b) balances.
- Roth governmental 457(b) balances.

You should carefully review all rollover options before moving retirement assets.

Can I roll over my account if I change employers?

You have the option to keep your savings in MDC, or you may roll Roth assets to:

- A Roth IRA.
- A governmental 457(b) plan with a designated Roth account that accepts rollovers.
- A 401(k) plan with a designated Roth account that accepts rollovers.
- A 403(b) plan with a designated Roth account that accepts rollovers.

Pre-tax assets may generally be rolled into eligible traditional IRAs and other eligible retirement plans that accept rollovers.

Do Roth contributions affect my beneficiaries?

If your beneficiary inherits Roth assets from your MDC account, the tax treatment of future distributions will depend on IRS rules in effect at that time.

Because Roth contributions are made after taxes have already been paid, inherited Roth assets may provide tax advantages compared with inherited pre-tax assets.

Your beneficiary should consult a tax professional regarding inherited retirement assets.

What is the SECURE 2.0 Roth catch-up provision?

Beginning in 2026, some individuals who make age-based catch-up contributions will be required to make those contributions on a Roth basis.

This requirement applies if:

- You are age 50 or older and eligible to make age-based catch-up contributions.
- Your FICA wages from the employer sponsoring the plan were \$150,000 or more in the previous year.

If this applies to you, any age 50+ catch-up contributions or age 60-63 catch-up contributions you make must be made as Roth contributions.

This change applies only to catch-up contributions. Your regular contributions can still be made on a pre-tax basis, subject to Plan provisions and IRS limits.

Making the best choice for you

Choosing between Roth and pre-tax contributions depends on your personal financial situation, retirement goals, and tax considerations.

Roth contributions require you to pay taxes on contributions today, but qualified withdrawals in retirement may be tax-free.

Pre-tax contributions allow you to defer taxes until retirement distributions are taken.

Because everyone's circumstances are different, you may wish to consult a financial or tax professional when evaluating your options.

The bottom line: Keep saving for retirement

Whether you choose Roth contributions, pre-tax contributions, or a combination of both, saving consistently for retirement remains one of the most important steps you can take toward your future financial goals.

If you decide Roth contributions are right for you, you can make changes to your account beginning July 1 by logging in to **www.mdcplan.com** or calling **(800) 846-4551**.



FOR MORE INFORMATION

Visit **www.mdcplan.com**. To speak with a representative, call **(800) 846-4551**, weekdays between 7 a.m. - 9 p.m. Central time and Saturdays between 8 a.m. - 4:30 p.m. Central time.

Local retirement plan advisors are available for one-on-one appointments and group meetings. To find your local retirement plan advisor and schedule a meeting, visit **www.mdcplan.com** and select *Contact us*.

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