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Roth Contributions
Understanding Contributions and Savings Plan Options

Peach State Reserves (PSR) participants have the option to contribute to their PSR 401(k) or 457 Plan through Roth contributions.

Roth contributions are made on an after-tax basis but are treated like tax-deferred contributions in almost every other way. For example, they are subject to the same distribution restrictions and contribution limits as tax-deferred contributions.

Roth 401(k) contributions offer several advantages, including tax-free distribution of contributions and earnings when you retire.

Pre-tax and Roth Contribution Comparison

Feature	Pre-tax Contributions	Roth Contributions
Contributions	Contributions reduce current taxable income. Can be used for Supplemental Guaranteed Lifetime Income (SGLI).	Contributions do not reduce current taxable income. **Cannot** be used for Supplemental Guaranteed Lifetime Income (SGLI).
Contribution Limits	Contribution limit of $23,000 in 2024. Both the contributions you make on a pre-tax basis and on a Roth contribution basis will count towards this maximum. *Unlike Roth IRAs, income limits don't apply for PSR Roth contributions.*	
Catch-up Contributions	Catch-up limit for members age 50 and over is an additional $7,500 in 2024* Both the contributions you make on a pre-tax basis and on a Roth contribution basis will count towards this maximum.	
Eligible for Employer Match	Both pre-tax and Roth contributions to the GSEPS 401(k) Plan are eligible. GSEPS members and other participants with employer contributions continue to earn employer contributions, which are always pre-tax. For more information, see *401(k)/457 Plan Comparison at ers.ga.gov.*	
Taxes	Taxes are due at time of distribution on your entire account balance (your pre-tax contributions, employer contributions, and investment earnings).	Taxes are due at the time of distribution on employer contributions and their related investment earnings. However, your actual Roth contributions and their related investment earnings are tax-free if you satisfy a five-year waiting period and are at least age 59½ at time of distribution.
Required Minimum Distribution	IRS requires withdrawals be taken from all qualified retirement plans, including IRAs, no later than April 1 following: • the year you turn age 70½ for those born before July 1, 1949, or • the year you turn 72 for those born on or after July 1, 1949 if no longer employed by a PSR employer.	

Roth Contributions FAQ

What's the difference between Roth contributions and pre-tax contributions?

Roth contributions will be made on an after-tax basis to your PSR 401(k) and/or 457 Plan. However, investment earnings on these contributions are tax-free if you keep the contributions invested for at least five years and do not take a withdrawal until you're at least age 59½. A distribution will also be tax-free if it occurs after you become disabled or upon your death, provided you satisfy the five-year waiting period, regardless of age.

Before-tax contributions to your PSR plan are tax-deferred at the time you make them and while they remain in the plan. You will pay taxes on these contributions and their related investment earnings when you take a distribution.

Can I make pre-tax and Roth contributions at the same time?

Yes. The PSR 401(k) and 457 plans allow you to make both types of contributions in the same year, even at the same time. However, the IRS places limits on the total contributions you can make on a pre-tax and/or Roth basis. The most you can contribute in 2023 (in pre-tax or Roth contributions, or any combination of the two) is $22,500. If you're age 50 or older in 2023, you can contribute an additional $7,500 in catch-up contributions via pre-tax contributions, Roth contributions, or a combination of the two.*

**Limits may be higher in some instances for special 457 catch up. See 401(k)/457 Plan Comparison at ers.ga.gov for more information.*

If I make Roth contributions to my PSR 401(k) or 457 plan, can I also make contributions to a Roth individual retirement account (IRA)?

You can contribute to both a Roth IRA and your PSR account. Keep in mind that contributions to a Roth IRA are limited based on income and tax filing status. Roth contributions to your PSR account aren't subject to these same limits.

What's the difference between making contributions to a Roth IRA and Roth contributions to a PSR 401(k) or 457 Plan?

Unlike Roth IRAs, income limits don't apply for PSR Roth contributions. Also, PSR 401(k) and 457 plans have the advantage of higher contribution limits than a Roth IRA.

How do Roth contributions affect my take-home pay?

After-tax dollars Roth contributions will likely reduce your take-home pay more than contributing the same amount on a pre-tax basis. You'll need to consider the impact Roth contributions will have on your budget.

Will Roth distributions affect my income taxes after retirement?

You should consider what your tax rate might be during retirement due to future changes in tax brackets or overall changes in the level of taxes.

If you think you'll be in a *higher* tax bracket after you retire, you may want to pay taxes on your contributions now, while your tax rate is lower. In this case, Roth contributions may make sense for you. You'll pay taxes on your contributions now and accumulate earnings on your Roth contributions that may be tax-free upon distribution.

If you think you'll be in a *lower* tax bracket after you retire, you may want to defer taxes on your contributions now, while your tax rate is higher. In this case, before-tax contributions may be to your advantage. You'll defer paying taxes on your contributions until retirement when your tax rate may be lower. However, any earnings you accumulate on pre-tax contributions will be taxable upon distribution.

Roth Contributions FAQ

How do Roth contributions affect my investment earnings?

Because you pay income taxes up-front on Roth contributions, when you receive a distribution from the plan, your Roth contributions and related investment earnings may be paid tax-free, subject to IRS requirements. The more your account is made up of Roth 401(k) contributions and investment earnings, the more tax-free income you may have in retirement.

Since you have not yet paid any income tax on pre-tax contributions, when you receive a distribution from the plan your pre-tax contributions (including any employer contributions) and related investment earnings will be taxable.

Are employer contributions on Roth contributions tax-free?

No. Employer contributions are not taxed at the time they are contributed to the plan, so they will be taxable (along with their associated earnings) when they're paid to you.

Can I elect pre-tax or Roth contributions at any time?

Yes, you can change your contribution amount (as a percent of income) and type at any time by visiting the Georgia Breeze website at *gabreeze.ga.gov*. Select *Savings & Retirement > Peach State Reserves > Contributions.* Select *Change.* If prompted, choose the Plan for which you want to change contributions.

You can also call GaBreeze at 1-877-342-7339 to elect Roth contributions.

When will my Roth election take effect?

For 401(k) accounts, contributions can be changed at any time. Changes become effective as soon as administratively possible—generally the next pay period.

For 457 accounts, contributions can be changed at any time. Changes become effective the following calendar month.

Can I use Roth contributions for Supplemental Guaranteed Lifetime Income (SGLI) at retirement?

Only pre-tax contributions can be used for SGLI. To learn more about SGLI, visit the SGLI page on the ERSGA website.