



your retirement

NDC Newsflash

Pre-tax vs. Roth after-tax: Which option is right for you?

When saving for retirement in the Nevada Public Employees' Deferred Compensation (NDC) Program, a decision for participants is whether to contribute money from their paycheck on a pre-tax or Roth after-tax basis. Here are some things to consider when determining if pre-tax or Roth after-tax saving is right for you:

	Pre-tax	Roth after-tax
Now:	Pay no income taxes on contributions	Pay income taxes on contributions as you make them
Later:	Pay taxes when withdrawn during retirement	Withdraw savings federal tax-free during retirement
Money going in:	Contributions are deducted from your salary before taxes are taken, which can reduce your taxable income	Contributions are subject to federal (and state or local, where applicable) income tax withholding
Earnings, if any:	Tax-deferred until withdrawn	Federal tax-free as long as certain qualifying conditions are met
Money coming out:	Distributions are taxable as current income when withdrawn	Federal tax-free, as long as you've satisfied the five-year holding period and are age 59½ or older (if separated from service), disabled (if separated from service), or deceased
Can be used to purchase service credit from NVPERS:	Yes. Contact NVPERS for more information	No
Money moving on:	Rollovers allowed to another Traditional government retirement plan or IRA, including Roth IRAs	Rollovers allowed to another Roth government retirement plan or IRA
Required Minimum Distributions (RMD):	Distributions begin the later of age 73 or retirement. An Internal Revenue Code penalty tax applies to any RMD amount not taken in a timely manner	Distributions are not required

Roth amounts are no longer included in RMD calculations

For 2024 and all future years, required minimum distributions (RMD) will only take into account non-Roth amounts during the participant's lifetime per the SECURE 2.0 Act of 2022. As a result, the annual RMD calculation of your NDC account will no longer consider the Roth portion of your balance. If you have received a RMD in the past, that means your 2024 RMD and RMDs in future years will be a smaller amount than you have previously received from the NDC's contracted recordkeeper, Voya Financial®.

Note that this SECURE 2.0 Act change does not apply to RMDs attributable to years before January 1, 2024 that are permitted to be paid after that date (such as the 2023 RMD that is payable no later than April 1, 2024).

The chart below provides a simplified example of how a participant who commenced RMDs prior to 2023, now age 78, would receive a smaller 2024 RMD compared to 2023 due to the SECURE 2.0 Act change to the RMD calculation.

	2023	2024
Previous year's total balance	\$100,000 (as of 12/31/22)	\$95,634 (as of 12/31/23)
Previous year's pre-tax balance	\$50,000 (as of 12/31/22)	\$47,817 (as of 12/31/23)
Previous year's Roth after-tax balance	\$50,000 (as of 12/31/22)	\$47,817 (as of 12/31/23)
Participant age	77	78
RMD factor*	22.9	22.0
Required Minimum Distribution	Approx. \$4,366 (\$2,183 from each source)	Approx. \$2,173 (from pre-tax source)

** For illustration purposes only. Amounts are rounded to a whole dollar to simplify the calculation. Assumes a participant born in 1946 with a December 31, 2023 account balance as shown. The RMD factor assumes the participant is unmarried or married with a spouse who is not more than 10 years younger than the participant.*

The NDC Program is your partner on the journey to and through retirement

We encourage you to consult with a tax professional to review and discuss if saving for retirement with Roth after-tax money is the best choice for your personal situation. In exchange for paying taxes now by saving with Roth after-tax money, you may be able to withdraw your Roth contributions and any earnings federal tax-free when you retire (qualifying factors apply). That could mean more income in retirement, plus less you are required to distribute from your account when you are RMD-eligible.

To discuss enrolling in or saving for retirement to the NDC Program, please call **(775) 886-2402**, visit nvdeferredcomp.timetap.com, or scan the QR code to schedule an appointment with a local financial professional from the NDC's contracted recordkeeper, Voya Financial®. You can also call the NDC Administrative Office at **(775) 684-3398** or visit us at the Nevada State Library, Archives & Public Records building, Suite 210, in Carson City.



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