




Morgan Stanley

MY WELLBEING

# **Morgan Stanley 401(k) Plan** IS ROTH RIGHT FOR ME?



## Morgan Stanley 401(k) Plan | 3 Contribution Types

	Traditional Before-tax	Roth After-tax	Traditional Non-Roth After-tax
 <p><b>Tax treatment of contributions</b></p>	<p>Contributions made before taxes, which reduces your adjusted gross income (you still pay Social Security, Medicare tax and in certain states, state income tax upfront)</p>	<p>After-tax contributions are made after taxes withheld. Non-Roth After-tax contributions can be converted to Roth after-tax account and <b>taxes paid on earnings at conversion</b></p>	
 <p><b>Tax treatment of withdrawals</b></p>	<p>Distributions in retirement are taxed as ordinary income</p>	<p>Investment earnings grow tax-free and qualified withdrawals are not taxed</p>	<p>Any investment earnings attributable to all after-tax amounts withdrawn are taxed as ordinary income</p>
 <p><b>Distribution rules</b></p>	<p>In service, after age 59½, unless you meet one of the IRS exceptions, and currently required distributions start at age 72</p>	<p>In service, after 59½ and once Roth money <b>has been in the plan for 5 years</b> (to avoid taxation on investment earnings) and no required distributions necessary</p>	<p>Available at anytime, even while an active employee</p>

<sup>1</sup> In general, Roth distributions are tax-free and penalty-free once you reach age 59½, or due to disability or death, if Roth money has been in 401(k) plan for a 5-year period. The “5-taxable-year period of participation” begins on the first day of the year in which you first make designated Roth contributions and ends when five consecutive taxable years have passed. Before making your elections, review the **Roth resource documents** on the [Benefit Center website](#) (under Plan Documents and Forms), and consult with your tax and financial advisors.

## Is Roth Right for You?

### Roth accounts can provide tax-free income in retirement

<p>Do you expect to be in a higher tax bracket after you retire?</p>	<p>➤ If so, Roth may be better for you</p>
<p>Do you plan to leave a substantial amount of your retirement assets to your heirs?</p>	<p>➤ Roth conversions and contributions may be part of your estate plan</p>
<p>Can you afford to pay taxes on in-plan conversions of pre-tax contributions?</p>	<p>➤ You will owe taxes on any investment earnings generated before the conversion date</p>
<p>Do you have a long-term investment timeframe?</p>	<p>➤ An in-plan Roth conversion may not make sense if you need your money before the 5-year qualification rule is satisfied</p>
<p>Have you already contributed up to the annual before-tax and Roth after-tax combined IRS 402g limit (\$22,500 in 2023)?</p>	<p>➤ You can still make non-Roth after-tax contributions up to the up to the total IRS combined limit (\$66,000 in 2023) that can be moved automatically to Roth after-tax in the plan</p>
<p>Do you want to take advantage of the plan's automatic Roth conversion feature?</p>	<p>➤ Using this feature can avoid taxation on non-Roth after-tax account earnings that would otherwise accrue in non-Roth after-tax account</p>

## Automatic After-Roth In-plan Conversion

### AN EXAMPLE

- Taylor (age 35) contributes up to the combined before-tax and Roth after-tax 401(k) contribution limit each year (\$22,500 for 2023)
- She earns a 5% match, or \$10,000 based on her eligible pay of \$200,000
- **She still has room to contribute up to \$33,500 more in 2023, before she hits the maximum 401(k) limit (\$66,000 for 2023)**
- She decides to make traditional Non-Roth after-tax contributions of \$4,000 more per year **instead of depositing it into a savings bank or brokerage account**
- She receives a hypothetical annual return of 4%
- **Compare the two scenarios below** to see how converting her traditional Non-Roth after-tax contributions to Roth in the 401(k) plan could mean additional tax savings in the future while optimizing her retirement income

	Contribute to Non-Roth After-tax vs. Depositing into Savings or Brokerage Account Outside the 401(k) Plan	Contribute to Non-Roth After-tax and automatically Convert to Roth in the 401(k) Plan
Additional Annual Savings	\$ 4,000	\$ 4,000
Accumulated Earnings over 25 Years	\$67,000	\$67,000
Accumulated Earnings after 25% Tax	\$50,250	\$67,000 (tax-free)
Additional After-tax Retirement Income	N/A	<b>\$16,750</b>

## Optimize Your Retirement Income in the Plan

The 401(k) plan is structurally sufficient to optimize retirement income in the plan (contribute >10% of pay), even at \$400,000 pay level. See cumulative % savings >10% of pay below.

Eligible Pay <sup>1</sup>	Contribute Enough to Get Full Company Contribution		Company Match		2% Company Fixed Contribution		Additional Room to Reach IRS Pre-tax Plus Roth After-tax Combined Limit (\$22,500)		Additional Room for Non-Roth After-tax Contributions		Total Capacity
\$100,000	\$4,000 4%	+	\$4,000 8%	+	\$2,000 10%	+	\$18,500 23%	+	\$37,500 66%	=	\$66,000 66%
\$200,000	\$10,000 5%	+	\$10,000 10%	+	N/A	+	\$12,500 16%	+	\$33,500 33%	=	\$66,000 33%
\$400,000 <sup>2</sup>	\$13,200 3%	+	\$13,200 7%	+	N/A	+	\$9,300 9%	+	\$29,700 16%	=	\$65,400 16%

<sup>1</sup> Eligible pay is your total compensation from Morgan Stanley (base, overtime, commissions, bonuses)

<sup>2</sup> Eligible wages are limited by IRS to \$330,000 for the 2023 plan year

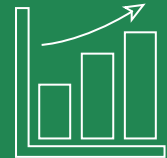
# How to Set Up Automatic Roth Conversion

**PART 1**  
Determine percentage of after-tax non-Roth contributions to make each paycheck

1. On the [Benefit Center website](#), select **Savings & Retirement** from the top of the page
2. Select **Change Contributions** (left column)
3. Enter % in **After-tax (non-Roth)**
4. Click **Continue**
5. Click **Continue**
6. Click **Submit**

**PART 2**  
Activate automatic in-plan conversions

1. Select **Savings & Retirement** from the top of the page
2. Choose **Automatic Roth Conversion** (left column)
3. Review the disclosures and acknowledge at bottom of page
4. Select **Yes**
5. Click **Continue**, which will submit your request



# What to Learn More about Your Morgan Stanley Benefits?

## Webinars for Employees + Partners

Overviews with the Benefits Team  
Deep Dives from Key Partners

[See Schedule + Replays](#)

## Digital Guide + Websites

**Employees + Partners**  
No password required

[mybenefits.ms.com](https://mybenefits.ms.com)

**Employees Only**  
From Firm network

TYPE IN BROWSER  
[beintheknow/](https://beintheknow/)

## Save the Date

**Benefits Enrollment 2024**  
November 3 to 17

## Benefits Support

**HR Services**  
401k, payroll, HR policies, etc.  
877-MSHR-411 | [Web chat](#)

**Benefits Center Website**  
Manage 401k,  
enroll in benefits, etc.  
[benefits/](#) or [ms.com/benefits](https://ms.com/benefits)

**Accolade Health Assistants**  
Health care, insurances,  
family programs, etc.  
866-386-0076  
Accolade app  
[member.accolade.com](https://member.accolade.com)



**OTHER IMPORTANT INFORMATION**

*Any inconsistency between this communication and the terms of an official plan document will be governed by the plan document. Morgan Stanley and its benefit plans are not responsible for any data errors or processing delays. The plan administrator may correct any errors at any time.*

*The information contained in this document is general in nature, is not individual tax advice and may not be used to avoid any tax or tax penalty. Tax laws are complex and may change, and their application may vary based on the circumstances. Morgan Stanley and its benefit plans do not provide tax or legal advice. You are responsible for consulting your own advisors.*

*Check your confirmations and statements to ensure that your elections are correctly reflected. Morgan Stanley's benefit plans may be amended or discontinued at any time, including to curtail benefits for some or all covered individuals.*