

# Distribution Guidelines Under IRS Final Regulations for Roth 401(k)

Type of distribution from Roth 401(k)	Qualified Distribution	Non-Qualified Distribution
<b>Direct rollover to another Roth 401(k)*</b>	Both basis and earnings are eligible for rollover. Once in the new Roth 401(k) plan, all assets are treated as basis. The 5-year clock under the receiving plan is based on the initial start date of the distributing plan, assuming such date is earlier than the start date under the receiving plan.	Both basis and earnings are eligible for direct rollover. The 5-year clock under the receiving plan is based on the initial start date under the distributing plan, assuming such date is earlier than the start date under the receiving plan.
<b>Indirect rollover to Roth 401(k)<sup>1</sup></b>	No portion may be rolled over.	Only the earnings portion may be rolled over. The 5-year clock begun under the distributing plan does not carry over to the receiving plan.
<b>Direct or indirect rollover to Roth IRA<sup>2</sup></b>	Both basis and earnings are eligible for rollover. Once in the Roth IRA, all assets are treated as basis. If the rollover is made to a newly established Roth IRA, a new 5-year clock begins. If the receiving Roth IRA existed prior to the rollover, the clock of the Roth IRA prevails.	Both basis and earnings are eligible for rollover; once in the Roth IRA, only the nontaxable portion is treated as basis. If only a portion of a non-qualified distribution is indirectly rolled over to a Roth IRA, the earnings are deemed to be the first dollars rolled. If the rollover is made to a newly established Roth IRA, a new 5-year clock begins. If the receiving Roth IRA existed prior to the rollover, the clock of the Roth IRA prevails.
<b>Other Considerations</b>		
<b>Loans</b>	Deemed distributions are considered non-qualified distributions even if the participant would otherwise be eligible for a qualified distribution.	
<b>Excess Deferrals</b>	Corrective distributions of excess deferrals are considered non-qualified even if the participant meets the eligibility requirements for a qualified distribution.	

<sup>1</sup> The receiving Roth 401(k) plan must permit rollover contributions of Roth 401(k) assets.

<sup>2</sup> Roth IRAs cannot be rolled into Roth 401(k)s

**Qualified Distribution:** Distributions are considered qualified if the first Roth contribution has been in the account for at least five years and one of the following conditions are met: attainment of age 59½, death or disability. Distributions are tax-free.

**Non-Qualified Distribution:** Distributions are considered non-qualified if the first Roth contribution has not been in the account for at least five years or one of the following conditions has not been met: attainment of age 59½, death or disability. Distributions occur pro-rata; basis is tax-free while earnings are subject to income tax, plus penalty, if applicable.

**Direct Rollover:** A direct rollover occurs when assets are transferred from one financial institution to another, without the participant receiving the funds.

**Indirect Rollover:** An indirect rollover occurs when assets are redeemed from a plan and made payable to the participant – 20% federal tax is withheld from this payment. The participant then has 60 days to remit the assets to the receiving plan and, assuming he or she wishes to avoid taxation on the 20% amount that was withheld, must make up the 20% tax withholding out-of-pocket when sending assets to the new plan.

**5-Year Clock:** When a non-qualified distribution is directly rolled over from one Roth 401(k) plan to another, the 5-year clock under the receiving plan is based on the initial start date under the distributing plan (assuming such date is earlier than the start date under the receiving plan).

The amount available for loans depends on (certain plan provisions and) the current value of your account, which may be worth more or less than the amount you invested.

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