

# Traditional after-tax contributions

## Frequently asked questions

**Q1: What are traditional after-tax contributions, and why should I consider this option?**

A: Traditional after-tax contributions offer an alternative to the pre-tax and Roth 401(k) after-tax contributions available in the Adobe 401(k) Plan and allow you to contribute above the IRS contribution limit for pre-tax and Roth contributions (\$19,500; \$26,000 if you are age 50 or older).

**Q2: How can I make traditional after-tax contributions?**

A: Log in to your account at [ownyourfuture.vanguard.com](http://ownyourfuture.vanguard.com).

**Q3: When can I begin making traditional after-tax contributions?**

A: Anytime you would like.

**Q4: Will Adobe match my traditional after-tax contributions?**

A: No. The company matches pre-tax and Roth contributions only.

**Q5: Is the new traditional after-tax option a separate account on the Vanguard site?**

A: No. Your traditional after-tax contributions will be held in your Adobe 401(k) Plan account.

**Q6: Can I convert traditional after-tax money to Roth contributions?**

A: Yes. Log in to your account at [ownyourfuture.vanguard.com](http://ownyourfuture.vanguard.com).

**Q7: With the addition of traditional after-tax contributions, how much more can I contribute over the \$19,500 annual pre-tax and Roth IRS limit?**

A: You can contribute a combined pre-tax, Roth and/or traditional after-tax total of up to \$58,000 annually in 2021. So with the addition of traditional after-tax contributions, you can contribute an additional \$29,800 in 2021 (including all employee and employer contributions).

**Q8: If I have pre-tax assets in my previous employer's 401(k) plan, can I move those assets into my Adobe 401(k) Plan account at Vanguard?**

A: Yes. You can roll over pre-tax, Roth and traditional after-tax contributions from a former employer's plan into your Adobe 401(k) Plan.

**Q9: Will there be limits on highly compensated employees?**

A: The maximum percentage of pay that most participants will be able to contribute to the Adobe 401(k) Plan as traditional after-tax contributions will be the Plan deferral limit of 65 percent, and these contributions will also be subject to the IRS annual contribution additions limit.

**Important:** If the Plan fails the annual IRS non-discrimination compliance testing (highly versus non-highly compensated employees), any excess amount that highly compensated employees contributed in 2021 will be refunded to impacted participants by March 15, 2022. Your contribution amount will not be taxed since it was after-tax money; however, any earnings will be taxable for 2021. You will receive a 1099-R form in 2022 for tax filing purposes.

**Q10: If I elect to make traditional after-tax contributions, how will I know whether I am considered a highly compensated employee, and therefore subject to a possible refund of excess contributions?**

A: You will be notified by Vanguard through email.

**Q11: Are Roth contributions a good option if I want to pay taxes now and not in retirement?**

A: Income tax will be due on all **pre-tax contributions and earnings** upon withdrawal. Income taxes will also be due on traditional **after-tax earnings** upon withdrawal. If you have money in any of these sources, you will pay taxes upon the withdrawal of those funds. Roth contributions are made with after-tax dollars. You pay taxes now on Roth contributions, but you will not pay income tax on contributions or earnings when you make withdrawals from your Roth balance, provided you have turned age 59½ and have held your Roth account for at least five years. Please consult your tax advisor to determine your best option.

**Q12: Do after-tax contributions have to be contributed to my account from paychecks only, or can I transfer from other sources?**

A: After-tax contributions can only be contributed to your account from your paycheck deductions or from after-tax dollars that are rolled into the Plan from a prior employer's plan.

**Q13: Can I invest my traditional after-tax contributions exclusively in a short-term reserves fund, but continue to invest my pre-tax and Roth contributions in other mutual funds (e.g., stock and bond mutual funds)?**

A: Yes. You can direct your after-tax contributions to a specific fund that is different from the funds you choose for your pre-tax and Roth contributions.

**Q14: Can I contribute to all three sources: pre-tax, Roth and traditional after-tax?**

A: Yes, but you cannot exceed 65 percent of your total pay within each pay period and you cannot exceed applicable annual IRS contribution limits.

**Q15: If I make a change to my contribution percentage, when will the change take effect?**

A: The change will take effect within one to two pay periods. Log in to your account to see the estimated effective date.

**Q16: Will Adobe monitor my contributions to ensure that I do not exceed the annual limit?**

A: When you reach the IRS annual limit for contributions, Adobe payroll will stop your contributions. If you have contributed to another employer's plan before joining Adobe, you must monitor your contributions yourself and make an election to drop your contribution rate to zero if you reach the limit.

**Q17: If I am age 50 or older, can I make traditional after-tax contributions toward the catch-up contribution limit?**

A: No. Only pre-tax and Roth catch-up contributions are allowed.

**Q18: Does the new after-tax option allow for in-service distributions\*?**

A: Yes. You can take in-service distributions from your after-tax money. There are no age restrictions. You can take as many after-tax distributions as you would like. However, if you have previously converted traditional after-tax contributions to Roth contributions, the converted amount must be held for at least five years and you must be at least age 59½ for any earnings to be distributed tax-free. Otherwise, the earnings on any withdrawn amounts will be subject to income taxes and possibly a ten percent early withdrawal federal penalty tax.

**Q19: Can this after-tax money be transferred to another investment account (outside of the Adobe 401(k) Plan)?**

A: Yes. After-tax assets (as well as pre-tax and Roth assets) can be transferred to another account.

**Q20: What is the withdrawal frequency for after-tax money?**

A: The frequency for after-tax withdrawals is unlimited.

**Q21: How do I contact Vanguard?**

A: You can reach a Vanguard Participant Services associate by calling (800) 523-1188 Monday – Friday from 5:30am – 6:00pm PT.

**Connect with Vanguard®**

[ownyourfuture.vanguard.com](http://ownyourfuture.vanguard.com) > (800) 523-1188

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