Differences between a Roth in-plan conversion and a Roth IRA rollover

<table>
<tr><th></th><th>ROTH IN-PLAN CONVERSION</th><th>RETIREMENT PLAN TO ROTH IRA CONVERSION</th></tr>
<tr><td>Year of taxation*</td><td colspan="2">Conversion of pre-tax and after-tax contributions is taxable in the year of the conversion.** The taxable portion of the distribution must be included in gross income in the year of conversion.</td></tr>
<tr><td>Tax implications of converting</td><td colspan="2">The variety and complexity of individual circumstances suggest that you should consult a tax advisor before deciding whether to convert to Roth.

You must consider potential state and local tax implications, as well as quarterly estimated taxes, before converting.

See “Year of taxation” above.</td></tr>
<tr><td>Early withdrawal penalty tax</td><td colspan="2">Distribution of the amounts converted to a Roth account or IRA within a five-taxable year period will be subject to the 10% additional tax on early distributions. A new five-year holding period will apply for each Roth conversion for purposes of this early withdrawal penalty, regardless of whether you have previously made Roth plan contributions.</td></tr>
<tr><td>Qualified withdrawal from a Roth account</td><td>A withdrawal is generally qualified (that is, tax-free) if the Roth source has been established for at least five years and you are at least age 59½ at the time of the withdrawal.</td><td>A qualified withdrawal is one that is both 1) made after a five-taxable-year period, and 2) made after the account owner reaches age 59½, made due to disability, made to a beneficiary after account owner’s death, or for first-time home purchase ($10,000 lifetime limit). For more information, please visit the IRS website here.</td></tr>
<tr><td>Recharacterization—reverse or undo a conversion</td><td colspan="2">Roth in-plan conversions and retirement plan to Roth IRA conversions can’t be recharacterized.</td></tr>
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	ROTH IN-PLAN CONVERSION	RETIREMENT PLAN TO ROTH IRA CONVERSION
Assets available for conversion	For you to be able to convert "traditional" qualified plan money (pre-tax or after-tax) to Roth within the plan, your plan must offer Roth contributions. All or a portion of the savings within your retirement plan account, distributable or otherwise, can be converted in-plan to a Roth account within the plan.	To be eligible to convert "traditional" qualified plan money to a Roth IRA, you must otherwise have access to that money. Generally, this means you must either be eligible for an in-service withdrawal or have a "distributable event" under the plan's rules.
Conversion of after-tax money	In general, if you convert after-tax assets to Roth, you would owe taxes on the portion of the conversion that represents earnings on those after-tax assets.	
Participants who may find a conversion beneficial	A Roth conversion may be considered beneficial if you: • Expect to be in a high tax bracket when withdrawals from your Roth account or Roth IRA are anticipated. • Are interested in tax diversification. • Can pay the taxes due on conversion out of non-retirement money. • Plan to keep the money invested for the long term. These are general guidelines. **You should work with a tax advisor in deciding whether a conversion is right for you.** Diversifying means having different types of investments. It doesn't guarantee you'll make a profit or that you won't lose money.	
Conversion is generally not recommended for:	A Roth conversion may be less beneficial if you: • Must withdraw retirement savings to pay taxes due on conversion. • Need access to the money within five years and before reaching age 59½. • Expect to be in a lower tax bracket in retirement. These are general guidelines. **You should work with a tax advisor in deciding whether a conversion is right for you.**	

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<tr><td>When making this decision, consider:</td><td>• Investment options and related investment expenses that apply if the money remains in the plan.
• Fees.
• The potential for stronger protection from creditors.
• Taxes.
• Control and flexibility.
• Consolidation.</td><td>• Investment options and related investment expenses if the money is transferred to a Roth IRA.
• Fees.
• Taxes.
• Control and flexibility.
• Consolidation.
• Exclusion from RMD rules.
• More favorable basis recovery rules.</td></tr>
<tr><td>RMDs</td><td colspan="2">Money in your Roth 401(k) accounts and Roth IRAs aren't subject to RMDs. This money also isn't included in the RMD calculation.

Note: If you have a Roth 401(k) account or Roth IRA that you inherited, you may still have to take an RMD from those accounts.</td></tr>
<tr><td>Basis recovery rules for amounts distributed from Roth accounts</td><td>"Nonqualified" distributions from a designated Roth account in an employer sponsored plan must be made on a pro-rata basis. Therefore, a nonqualified distribution would include an earnings portion, which would be taxable.</td><td>Distributions from Roth IRAs are treated as being made in the following order: contributions, conversions (on a first-in-first-out basis), then earnings. Accordingly, if an individual takes a partial distribution from a Roth IRA and does not meet the requirements for a "qualified distribution" (i.e., generally, distributions made after five years and attainment of age 59½, death, or disability), the Roth basis (contribution and conversion amounts) is recovered before any taxable earnings must be distributed.</td></tr>
<tr><td>Participant loans</td><td>You may be able to borrow the money you convert to Roth within your retirement plan. Consult your plan's rules for specifics regarding availability, amount, and timing of loans.</td><td>Loans are not available from Roth IRAs.</td></tr>
<tr><td>First-time homebuyer expenses</td><td>First-time homebuyer expenses do not count as a qualified distribution from a Roth plan account in an employer-sponsored plan.</td><td>A qualified distribution from a Roth IRA also includes distributions made after five years to cover a first-time homebuyer's expenses up to $10,000. For more information, please visit the IRS website here.</td></tr>
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Whenever you invest, there's a chance you could lose the money.

*Please consult your tax advisor.

****Taxes:** When you convert pre-tax money to Roth, you'll owe taxes on the whole amount. When you convert traditional after-tax money, you'll owe taxes on just the earnings. You should talk with a tax advisor before you do this. Later, when you take the Roth money out, you won't owe taxes as long as you meet two conditions. First, you're at least age 59½. Second, you converted the money at least five years earlier. If you take the money out early, you may have to pay income tax and a 10% federal penalty tax. If required by law, Vanguard will withhold some taxes for you.

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