Advantages of Roth Elective Deferral Contributions	Disadvantages of Roth Elective Deferral Contributions
Earnings are not taxable at distribution if certain requirements are met.	Additional education for employees to decide whether pre-tax elective deferrals or Roth deferrals are best based on their personal situation.
Possible tax advantage for the individual at distribution.	Another decision employees must make.
All individuals are eligible to contribute – no income limit applies.	Additional recordkeeping costs to keep Roth accounts separate.
Larger contribution limit than a Roth IRA.	Employer's payroll system may need changed to accommodate Roth elective deferrals.
Can rollover from a Roth 401(k) to another Roth 401(k) or a Roth IRA.	No immediate tax advantage for participants.
The employer can match contributions.	Minimum distributions rules apply to Roth elective deferrals but not to Roth IRA.
Helps avoid tax on Social Security benefits received at retirement.	Must be a "qualified distribution" to receive tax-free treatment. Some participants may not want to wait until age 59 1/2 to receive the qualified distribution.
Helps maximize estate tax assets (can roll to a Roth IRA and avoid minimum distribution rules).	Five year tracking of the first Roth contribution needed.
May be good for employees whose tax rate will be higher at retirement than it is now.	Regular pre-tax deferrals may be better for employees whose tax rate will be lower at retirement than it is now.
Can take a loan from the Roth 401(k), but not from a Roth IRA.	Since Roth elective deferrals do not decrease current income, they may cause an employee to lose tax breaks that "phase out" at higher income levels.

This document is believed to provide accurate and authoritative information in regard to the subject matter covered. The accuracy of the information is not guaranteed, and is provided with the understanding that Principal Life Insurance Company is not rendering legal, accounting, or tax advice. In specific cases, clients should consult their legal, accounting or tax advisors.

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