



Mega Roth Contributions Through BAE Systems 401(k) Plan

High-earners at BAE Systems have an opportunity to save an additional \$20,000 or more into tax-advantaged retirement accounts through the BAE 401(k) Plan. We want to show you how and secure your retirement.

Why Roth?

Roth IRA is a near ideal retirement account given tax-free growth and tax-free withdrawal. Roth is favorable to taxable accounts as it is not exposed to annual dividends and capital gains tax. Sheltering retirement dollars from taxation offers the highest potential for growth and achieving financial goals.

What is a Mega Roth Contribution?

Certain provisions within the BAE 401(k) Plan allow participants can save up to \$55,000 per year (\$61,000 over 50 years old) by introducing *Non-Roth After-Tax* contributions. Those Non-Roth After-Tax contributions can then rollover to Roth in or outside of the plan depending on age.

Who is a candidate for Mega Roth Contributions?

BAE employees who maximize traditional contributions. Below is an example:

Employee Elective Deferral	\$18,500.00
Age 50+ Catch-up Provision (if eligible)	\$6,000.00
BAE Company Match (6% at \$150k salary)	\$9,000.00
BAE Profit Sharing Program	\$0.00
Total Traditional Contribution	\$33,500.00

Candidates are typically in peak earning years, seek long-term financial independence, and looking to leverage tax-advantaged growth.

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How much can a Mega Roth candidate save into the plan?

Per IRS, participants can contribute \$55,000 per year (\$61,000 over 50 years old) from all sources (employee and employer). Below is the same chart as above with the addition of the Mega Roth opportunity and IRS Maximum Limit.

Employee Elective Deferral	\$18,500.00
Age 50+ Catch-up Provision (if eligible)	\$6,000.00
BAE Company Match (6% at \$150k salary)	\$9,000.00
BAE Profit Sharing Program	Unknown

Total Traditional Contribution	\$33,500.00
(plus) Mega Roth Opportunity	\$27,500.00
IRS Maximum Contribution Limit (over age 50)	\$61,000.00

How does Mega Roth work in practice?

Mega Roth is predicated on three important provisions of the BAE 401(k) Plan:

1. The allowance of Non-Roth After-Tax contributions, and
2. In-service withdrawal after age 59 ½, or, In-Plan Roth Rollover.



Participants can defer salary into a Non-Roth After-Tax account within the 401(k) plan just like traditional contributions. These dollars are contributed after-tax like Roth, but do not have the same tax treatment.

Unlike Roth, upon distribution, Non-Roth After-Tax investment gains is taxed at ordinary income rates. If a participant contributes \$20,000 Non-Roth After-Tax and the account grew 10%, then \$2,000 would be taxable.

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Mega Roth in Practice

This is a two-step process. Non-Roth After-Tax contributions are be made via salary deferrals and in-service withdrawals or in-plan rollover complete the Roth contribution.

A reasonable strategy is to build Non-Roth After-Tax contributions along with traditional contributions throughout the year. Then, in December, submit a request to distribute the Non-Roth After-Tax portion to Roth. Below is the same hypothetical but maximizing the plan via Non-Roth After-Tax:

Employee Elective Deferral	\$18,500.00
Age 50+ Catch-up Provision (if eligible)	\$6,000.00
BAE Company Match (6% at \$150k salary)	\$9,000.00
BAE Profit Sharing Program	Unknown
Non-Roth After-Tax Contribution to Roth	\$27,500.00

Total Contribution	\$61,000.00
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Food for Thought

1. Roth avoids “tax drag”. Saving into taxable accounts exposes investors to annual taxable dividends and capital gains which diminish investment return.
2. Roth serves as an excellent tax planning tool when modeling efficient retirement income strategies.
3. BAE Systems is unique. Not all company plans have the provisions necessary to execute Mega Roth.

I am interested in the strategy and want to meet with Acorn Financial

Acorn Financial is in Nashua, NH. We are a fee-only financial planning and investment management firm. We work with successful families and businesses in the region who are committed to financial independence. Our first meeting is always free and we welcome your interest.

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