



A new benefit...a new opportunity. The NC 401(k) Plan Roth Feature

The NC 401(k) Plan now offers another exciting way for Plan members to save for their ideal retirement—the *Roth 401(k) Feature*. Basically, this is a voluntary deduction or contribution that lets you put aside after-tax dollars for your retirement. Why make after-tax, or Roth contributions to the NC 401(k) Plan? Simple—Roth contributions grow tax-deferred and can be withdrawn at retirement (restrictions apply) completely tax-free.

A Roth contribution isn't separate from your existing NC 401(k) Plan. Rather, it's a new feature of the program. The Roth Feature of the NC 401(k) Plan combines characteristics of a traditional retirement program with those of the Roth IRA.

More specifically, the Roth Feature allows members to make some or all 401(k) contributions with after-tax dollars. In other words, instead of having all of your contributions deducted from your paycheck before taxes as you are accustomed, you can designate some, or all, of those contributions to be put into your NC 401(k) account as after-tax, or Roth dollars. It's still part of your retirement savings—the money is just held separately as Roth contributions. And, if you meet certain requirements down the road, the Roth money you withdraw at retirement—including earnings—won't be taxable for federal or North Carolina state income tax purposes.

So, how much can you contribute? In 2006, you can make a combination of pre-tax and Roth contributions up to \$15,000. If you're age 50 or older, you can contribute an additional \$5,000. If you choose to, you can make both pre-tax and Roth contributions to your retirement account, but remember—federal tax limits apply to the combined total of those contributions.

Keep in mind, Roth contributions are subject to taxes—just like regular income. So the downside is that you pay those taxes today when you make the Roth contribution. That's different from regular pre-tax contributions: With pre-tax contributions, you defer your tax obligation to a later date—when you withdraw the funds. The upside with Roth contributions is that your Roth withdrawals in retirement—including any earnings—are completely tax-free if you meet certain requirements. It's really up to you.

It's important to make an educated decision when it comes to contributing to the Plan. However, no matter what you decide, start early and save as much as you can so you can enjoy a long and active retirement.

This information has been provided for your benefit and is not intended or designed to be tax advice.

Securities products and services are offered by Prudential Investment Management Services LLC (PIMS), Three Gateway Center, 14th Floor, Newark, NJ 07102-4077. PIMS is a Prudential Financial company.

INST-20060213-A019948



Discover your state of financial independence

www.nc401k.prudential.com
1-866-NC401K1
(1-866-624-0151)

PRUDENTIAL RETIREMENT