<u>Erdman Automation 401k Safe Harbor 401k Match!</u>

What is a Safe Harbor 401(k)?

- Erdman Automation is adding a match to the Erdman Automation 401k plan.

Key Benefits:

- Guaranteed employer contributions
- Higher contribution limits for all employees
- Immediate vesting of employer contributions
- Tax-advantaged savings for retirement

Employer Contribution Options:

1. Basic Match: 100% match on the first 3% of your contribution, plus 50% on the next 2%
2. Examples:
    - Employee contributes 1% of salary to plan. EAC matches 1%
    - Employee contributes 3% of salary to plan. EAC matches 3%
    - Employee contributes over 5% of salary to plan. EAC matches 4%

Roth 401(k) vs. Pre-Tax 401(k) Contributions: What You Need **to Know**

Roth 401(k):

- Contributions are made with after-tax dollars
- Match contributions are made with after-tax dollars
- No immediate tax benefit
- Qualified withdrawals in retirement are tax-free

Pre-Tax 401(k):

- Contributions reduce your current taxable income
- Employer contributions are also pre-tax
- Immediate tax savings
- Withdrawals in retirement are taxed as ordinary income

Withdrawal Rules

Roth 401(k):

- Tax-free withdrawals if account held for 5+ years and you're 59½ or older
- Early withdrawals may be subject to taxes and penalties on earnings

Pre-Tax 401(k):

- All withdrawals taxed as ordinary income
- 10% penalty on withdrawals before age 59½ (with some exceptions)

When to Choose Each Option

Consider Roth 401(k) if:

- You expect to be in a higher tax bracket in retirement
- You want tax-free withdrawals in retirement
- You're in a lower tax bracket now

Consider Pre-Tax 401(k) if:

- You want to reduce your current taxable income
- You expect to be in a lower tax bracket in retirement
- You prefer immediate tax savings

Next Steps:

1. Determine your contribution amount
2. Complete enrollment forms – Hand in to Sherri
3. For any questions on enrollment, amount you should save, etc Contact Steve Varley 952-229-1515.