

Introducing *Roth* for your tax-qualified retirement plan

Effective January 1, 2006, you can empower your 403(b) or 401(k) plan participants to direct part or all of their voluntary contributions to a special Roth account within your tax-qualified plan.

Today, your participants make pretax contributions to defer taxes on contributions and earnings until withdrawal, when the money is taxed as ordinary income.

But with the Roth account option, participants will be able to:

- Contribute after-tax dollars
- Reduce income taxes during retirement
- Take tax-free distributions in the future under the following conditions:
 - Distribution is made five years after contributions were first made to the Roth account *and*
 - Participant is age 59½ or older; *or*
 - Due to participant's death or disability

Income taxes are payable on nonqualified withdrawals. Federal restrictions and tax penalties may apply to early withdrawals.

Other Roth account highlights:

- Roth account balances would be portable to other Roth 403(b) or 401(k) plans if the receiving plan accepts such rollovers or to a Roth IRA.
- Roth 403(b) and 401(k) accounts are subject to minimum required distributions. However, with proper planning the participant can avoid the required minimum distribution rules by rolling Roth accounts into a Roth IRA.

Plan sponsor requirements:

- Modify payroll system to accommodate the additional after-tax deferral
- Take board action and amend applicable plan documents
- Modify salary reduction agreements
- Announce availability to employees

For more information about the timing and establishment of Roth accounts, contact your local VALIC financial advisor at 1-800-892-5558 or visit AIG VALIC Plan Sponsor Online at aigvalic.com.

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Houston, Texas
www.aigvalic.com

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