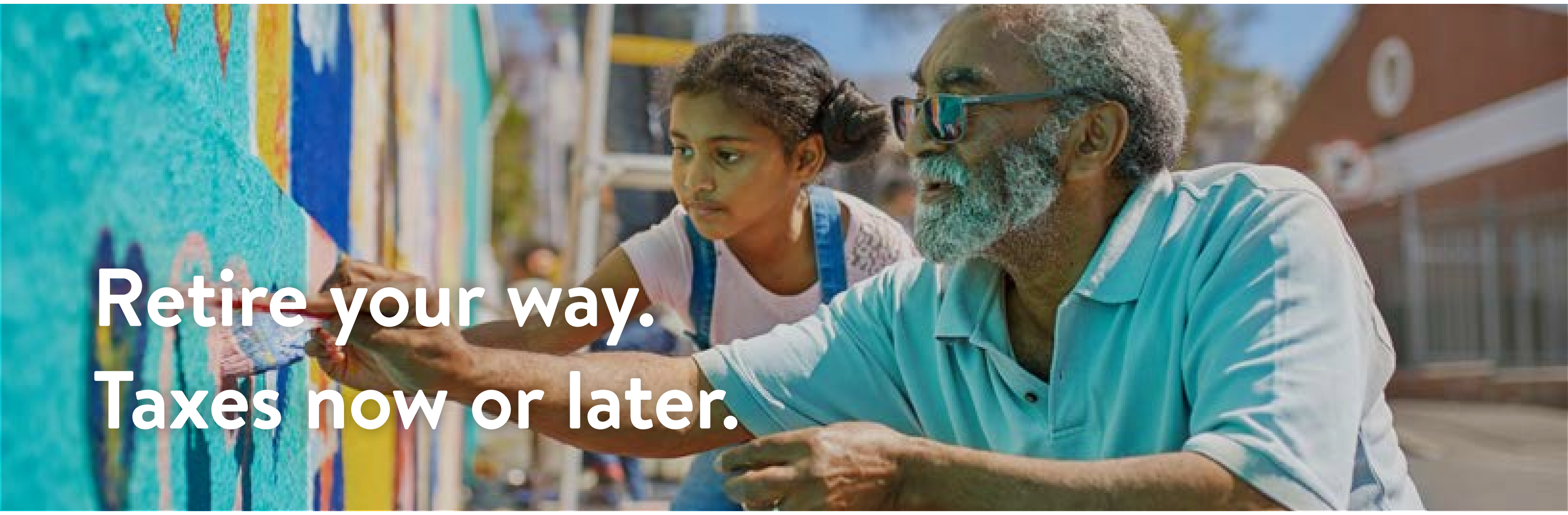


Now the Walmart 401(k) Plan offers two ways to save. Choose the traditional pretax option, with contributions from your paycheck before taxes are taken out. Or pick the new Roth option, with contributions from your paycheck after taxes are taken out and get the potential for tax-free income when you retire. You can even choose both and split your contributions.

Traditional vs. Roth: Which do I choose?

One big question when comparing traditional pretax and Roth contributions is whether you think your tax rate will be lower in retirement than it is today. Because Roth 401(k) contributions are made with after-tax dollars, you do not pay taxes on them when you take a withdrawal. And if you take a "qualified distribution" (see page 3), any earnings are federal income *tax-free*. So if you're paying a higher tax rate in retirement, you could come out ahead. On the other hand, if you think you'll pay a lower tax rate when you retire, consider a traditional pretax account. That lets you lower your taxable income today, when it matters more.

Hedge your bets on taxes?

Trying to predict what your tax rate may be like in the future isn't easy. If you already have a lot of tax-deferred savings, you may want to hedge your bets on what the government may do in the future and consider Roth 401(k) contributions. This way, you can create both taxable and tax-free retirement income. And keep in mind that your actual taxes depend on your individual situation, including number of dependents, any tax deductions you may have, and any tax credits you may be eligible to receive.

You should consult your legal and/or tax advisor before making a decision about Roth contributions.

Higher earner?

If your modified adjusted gross income (MAGI) is too high to qualify for a Roth IRA, here's some good news: there are no MAGI restrictions on Roth 401(k) contributions.

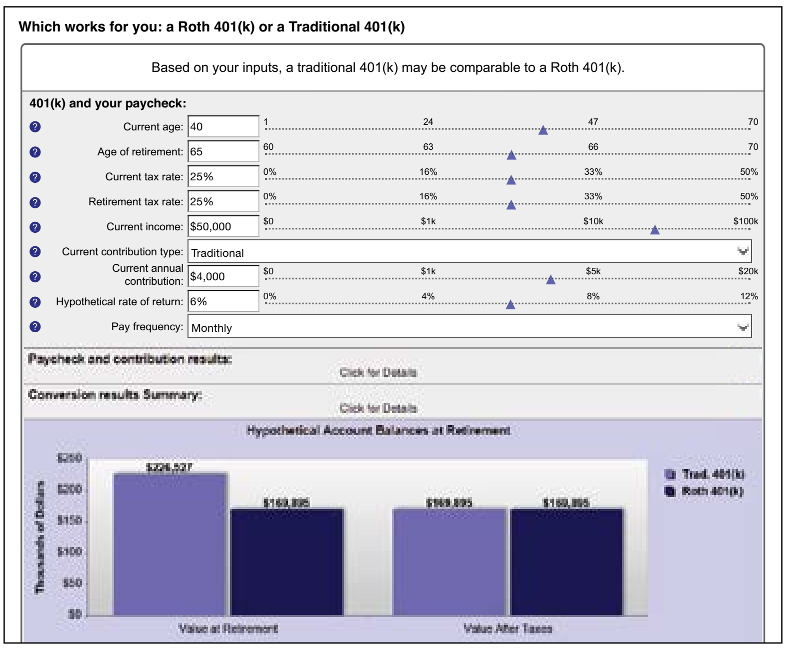
Will my taxes be lower or higher in retirement?

Assuming everything else is the same, if your tax rate is lower when you begin taking money out of your 401(k) account, the traditional pretax option may work to your advantage overall. But if you expect that your taxes will be higher by the time you begin to access your money, the Roth option may prove to be a better choice.

“Test-drive” your retirement

Before you decide, try out some different options to see what works best for you. With the Roth 401(k) Comparison Calculator, you can try different retirement ages, per-paycheck contribution amounts, and tax rates—then see what your account could total, both before and after taxes.

You’ll find it at **www.benefits.ml.com**.



The screen shot is intended only to illustrate the functionality of the Roth 401(k) Comparison Calculator. Information and interactive calculators are made available to you as self-help tools for your independent use and are not intended to provide investment advice. We cannot and do not guarantee their applicability or accuracy in regards to your individual circumstances. All examples are hypothetical and are for illustrative purposes.

We encourage you to seek personalized guidance from qualified professionals regarding all personal finance issues.

The hypothetical illustration assumes the variables listed above, with the assumed annual effective rate of return as shown above. Changes in tax rates may impact the comparative results. Please consider your investment horizon and income tax brackets, both current and anticipated, when making an investment decision, as these may further impact the results of the comparison.

Hypothetical results are for illustrative purposes only and are not meant to represent the past or future performance of any specific investment vehicle. Investment return and principal value will fluctuate and when redeemed the investments may be worth more or less than their original cost. If you make pretax [traditional 401(k)] contributions, taxes are due upon withdrawal. If you make Roth 401(k) contributions, taxes are deducted before contributions are made, and taxes will not be due on your contributions and any earnings upon a qualified distribution. In either case, you may be subject to a 10% additional federal tax if you take a withdrawal from the Plan prior to reaching age 59½ unless an exception applies.

Merrill, its affiliates, and financial advisors do not provide legal, tax, or accounting advice. You should consult your legal and/or tax advisors before making any financial decisions.

Roth 401(k) FAQs

Am I eligible to make Roth 401(k) contributions?

Yes, as long as you're eligible for the Walmart 401(k) Plan, you can choose either kind of contributions. Roth 401(k) contributions are different from Roth IRAs, which are designed for saving outside of your company's plan. Roth IRAs do have eligibility restrictions based on MAGI while there is no MAGI limit for Roth 401(k) contributions.

How much can I contribute?

Tax law and plan contribution limits apply to your combined total contributions to the Walmart 401(k) Plan, whether they're Roth or pretax. The tax law limit can change every year; for 2020 it's $19,500. Additionally, the terms of the Walmart 401(k) Plan limit your contributions to no more than 50% of your eligible pay. If you are age 50 or older, you may also be eligible for a "catch-up contribution," up to the current tax law catch-up limit. Current tax law limits are always available on Benefits OnLine.

Does the Walmart match apply to my Roth contributions too?

Yes. Pretax and Roth 401(k) contributions are both eligible for a match up to 6% of your eligible pay after you've been with Walmart for a year and you are credited with at least 1,000 hours during that year. The 6% match limit is a combined limit for pre-tax and/or Roth contributions.

Keep in mind, however, that Roth 401(k) contributions reduce your take-home pay more than an equal amount of pretax contributions. If you switch from pretax to Roth 401(k) contributions, and reduce your contribution rate to keep your take-home pay at the same level, you may lose part of your match too if you were only deferring 6% of your eligible pay. Carefully consider what percentage of pay you must contribute to max out your Walmart match. Otherwise, you're leaving money on the table.

Remember that matching contributions are made on a pretax basis and are subject to taxation at withdrawal, including a possible 10% additional federal tax if withdrawn before age 59½, unless an exception applies.

Can I move part of my 401(k) balance to a Roth 401(k) account?

No, you cannot transfer any amount between a pretax 401(k) account and a Roth 401(k) account due to the taxation differences.

Can I stop making Roth 401(k) contributions and go back to traditional pretax contributions?

Yes. However, the money in your Roth 401(k) account can't be transferred to your pretax 401(k) account.

Can I take a loan or hardship withdrawal from a Roth 401(k) account?

Yes. But if you are not eligible for a "qualified distribution" and you take a hardship withdrawal, any earnings on your Roth 401(k) contributions may be taxable and are generally subject to the 10% additional federal tax if you take it before age 59½, unless an exception applies. You may wish to consult a tax advisor for help. Please consider the advantages and disadvantages of a loan before taking one.

Qualified vs. nonqualified distributions

If you take a **qualified distribution** from your Roth 401(k) assets, any earnings on that account would be *tax-free*.

To take a qualified distribution, at least five years must have passed since the first day of the year of your first Roth 401(k) contribution, and you must be at least age 59½ or disabled or deceased.

In a **non-qualified distribution**, earnings on your Roth 401(k) contributions are subject to regular income taxes, and if your distribution is taken before you reach age 59½, an additional 10% federal tax may apply (certain exemptions may exist; consult your tax advisor). State income tax laws vary; consult a tax professional to determine how your state treats Roth 401(k) distributions.

Pretax vs. Roth: how they're taxed

Pretax contributions and any earnings are taxed when you withdraw the money. A 10% additional federal tax may also apply before age 59½ unless an exception applies.

Roth 401(k) contributions are not taxed at withdrawal because you have already paid taxes on them. You may withdraw any earnings federal income tax-free if you take a qualified distribution: 1) at least five years have elapsed since the first day of the year of your first Roth 401(k) contribution, and 2) you are at least 59½ years old, or have become disabled or deceased. If you take a non-qualified distribution, you are taxed on earnings only, and a 10% additional federal tax may apply before age 59½ unless an exception applies.

To make Roth 401(k) contributions:

Benefits OnLine®
www.benefits.ml.com

Questions? Call the Retirement & Benefits Contact Center, (888) 968-4015, from 8 a.m. to 7 p.m. (ET) on any day the New York Stock Exchange is open. The Interactive Voice Response (IVR) system is also available virtually 24/7.