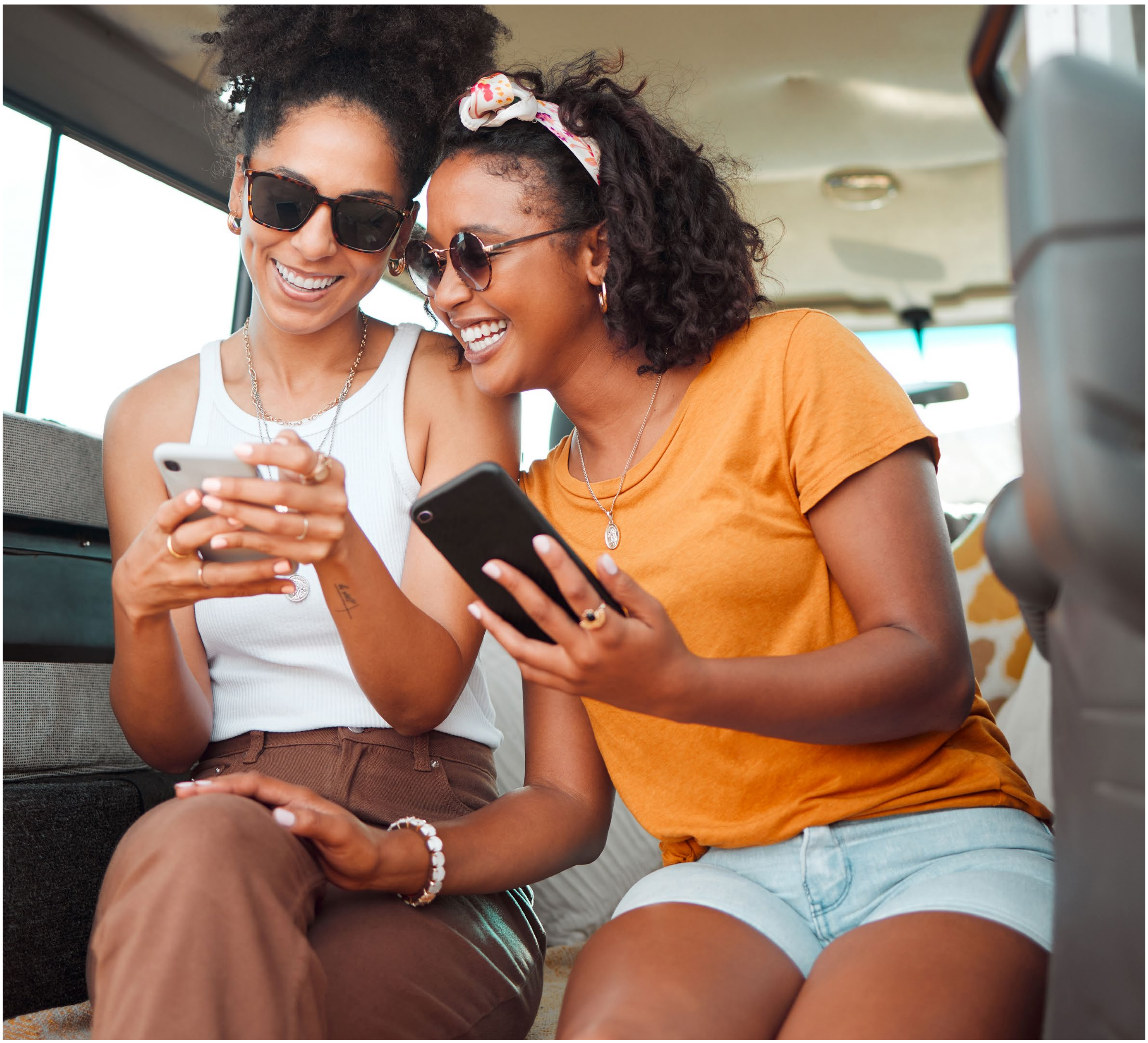
Introducing Roth Contributions in your FedEx 401(k) Retirement Savings Plan

Learn all about the new Roth features coming to your Plan



Beginning January 1, 2024, the FedEx Office and Print Services, Inc. 401(k) Retirement Savings Plan (FedEx 401(k) Plan) and FedEx SCA Employees 401(k) Retirement Savings Plan (SCA Plan) will offer a new way to save—Roth contributions.

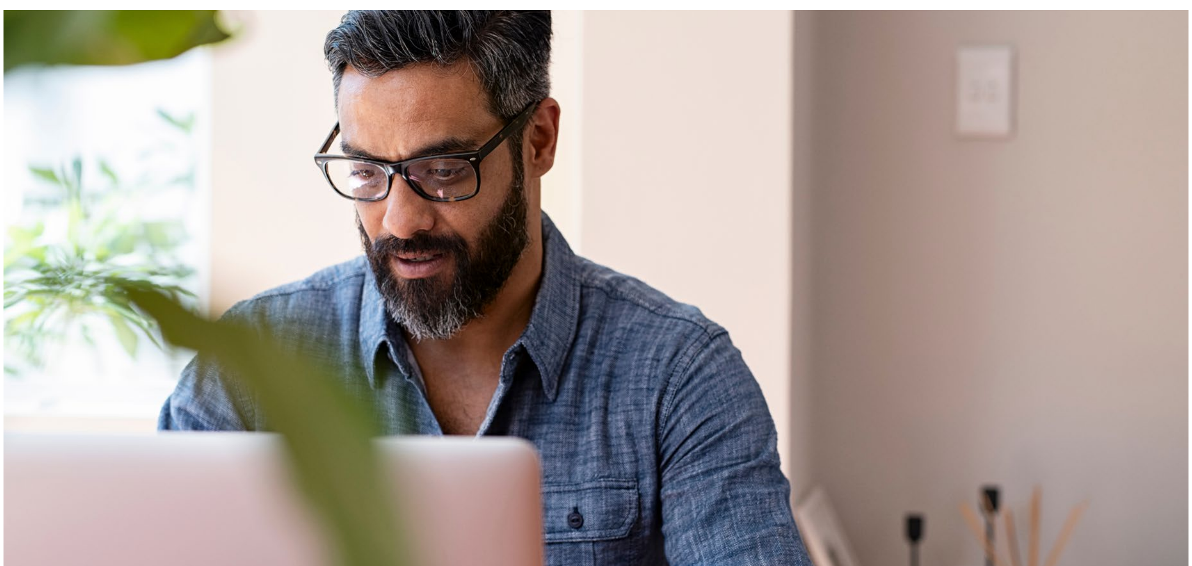
This option gives you a way to receive your money tax-free in retirement. You'll also be able to take advantage of a new Roth conversion feature, **Roth in-plan conversions**, which will allow you to convert Pre-tax money to Roth savings.

This newsletter provides an overview of Roth contributions and conversions, and it can help you decide whether these saving strategies might be right for you.

How to get started

You can elect to start making Roth contributions or initiate a Roth in-plan conversion starting on December 20, 2023, for the 2024 plan year. Log in to your account at vanguard.com/retirementplans or call a Vanguard associate at **1.800.523.1188**. Associates are available Monday through Friday from 8:30 a.m. to 9 p.m., Eastern time.

Read on to learn more about Roth.



Important note:

This newsletter is a summary of material modification (SMM) to Your Retirement Benefits, the plan's summary plan description. Please keep it with your copy of Your Retirement Benefits book and refer to them together.

What are Roth contributions?

Roth contributions are made to your Plan account on an After-tax basis. Your pay is taxed as ordinary income before you make your Roth contribution to your Plan account, possibly providing you with tax-free income in retirement. When you contribute to your 401(k) account on a Roth basis, the earnings on your contributions grow tax-free.

What are qualified Roth distributions?*

Any Roth account distributions you take are qualified as tax-free if you make the withdrawal at least five years *after* your first Roth contribution and one of the following conditions apply:

- It's made after you reach age 59½,
- It's made after your death, or
- It's made because you became disabled.

Tax-free income could be a significant benefit, especially if you expect to be at either the same or a higher income tax rate when you withdraw the money than when you make your Roth contributions.

(**Note:** Qualified distributions will not trigger taxation of Social Security and are not treated as income for some other purposes, such as determining Medicare Part B premiums.)

What's the difference between Roth and Pre-tax contributions?

The big difference between Roth contributions and Pre-tax contributions is how they're taxed.

- Roth contributions are taxed before they're added to your account, so you'd pay more in taxes today. Earnings on Roth contributions are tax-free for qualified distributions.*
- With Pre-tax contributions, you delay paying taxes on the money you contribute, essentially lowering your taxable income today.
- Roth and Pre-tax contributions are eligible for Company matching contributions in the FedEx 401(k) Plan, but **not** in the SCA Plan.

Speak to a Tax Advisor if you're considering adding Roth contributions to your account.

***Taxes:** *Taking money from your retirement account can affect how much you'll have to pay in taxes. You'll owe taxes on pre-tax money (contributions and earnings). You won't owe taxes on Roth earnings as long as you are age 59½ or older and it's been at least five years since your first Roth contribution. If required by law, Vanguard will withhold some taxes for you. You may need to pay a 10% federal penalty tax if you take money out early.*

The table below compares Pre-tax, Catch-up, and Roth contributions.

	Pre-tax & Catch-up	Roth Contributions & Roth Catch-up*
Employee contributions	Made with Pre-tax dollars and reduce taxable income.	Made with After-tax dollars.
What is the maximum elective contribution?	Sum of Pre-tax and Roth contributions are subject to annual IRS limits (in 2024, the limit is $23,000 plus an additional $7,500 if you are at least age 50). For current IRS limits, go to vanguard.com/contributionlimits.	Sum of Pre-tax and Roth contributions are subject to annual IRS limits (in 2024, the limit is $23,000 plus an additional $7,500 if you are at least age 50). For current IRS limits, go to vanguard.com/contributionlimits.
Are employee contributions subject to tax on withdrawal?	Yes.	No.
Are earnings subject to tax on withdrawal?	Yes, the entire withdrawal amount is subject to federal taxes when you withdraw.	No, these are not taxed when you withdraw them, provided the withdrawal is a qualified distribution*.
Are contributions eligible for the Company match?	Yes, but only in the FedEx 401(k) Plan.	Yes, but only in the FedEx 401(k) Plan.
Is the Company match and associated earnings subject to tax on withdrawal?	Yes.	Yes.
Are loans available?	Yes, but only in the FedEx Office Plan.	Yes, but only in the FedEx Office Plan.

Roth contributions offer these advantages

- **Tax-free withdrawal in retirement for qualified distributions*,** as long as you meet the conditions explained above.
- **Flexibility in draw-down strategies.** You can choose which account to withdraw from (taxable and non-taxable). Having a choice may help individuals manage income taxes when withdrawing money for a large post-retirement purchase.
- **Beneficiaries benefit from a tax-free inheritance.**

***Taxes:** *Taking money from your retirement account can affect how much you'll have to pay in taxes. You'll owe taxes on pre-tax money (contributions and earnings). You won't owe taxes on Roth earnings as long as you are age 59½ or older and it's been at least five years since your first Roth contribution. If required by law, Vanguard will withhold some taxes for you. You may need to pay a 10% federal penalty tax if you take money out early.*

Who might benefit from Roth?

You might benefit from Roth if . . .	And here's why . . .
You're able to save a lot in your Plan.	Chances are you'll be in the same or a higher tax bracket in retirement. You'll benefit from paying taxes on Roth savings now, while they're lower.
You contribute the maximum to the Plan.	If you contribute up to the annual IRS limit on a Pre-tax basis, you will owe taxes on this amount, plus any earnings, in retirement. If you contribute the maximum on a Roth basis instead, all of it may be tax-free in retirement.
Your income prevents you from contributing to a Roth IRA.	You can get the advantages of Roth contributions within your Plan, which, unlike a Roth IRA, has no income restrictions.
Your career is just getting started and you pay taxes at a low rate today (10% or 12%).	You expect your income—and tax rate—to rise in the years to come. You'll benefit from paying the lower taxes now. And making Roth contributions would cost you less today and could result in tax savings in retirement.

*For current IRS limits, go to **vanguard.com/contributionlimits**.*

Who might not benefit from Roth?

You might not benefit from Roth if . . .	And here's why . . .
You're behind on saving and expect Social Security to be your main income in retirement.	Chances are, your income will fall in retirement, so you may be in a lower tax bracket then. You might save more in taxes by paying them later (Pre-tax) than paying them now (Roth).
Your pay spikes, thanks to big commissions or bonuses.	Your tax rate may be higher this year than in retirement. So you may be better off making Pre-tax contributions now and paying taxes at a lower rate later.
You have children and a family income generally between $20,000 and less than $60,000, and receive the earned income tax credit or the additional child tax credit.	Switching to Roth contributions would raise your taxable income and could cost you these valuable tax credits.

Is Roth right for you?

Go to vanguard.com/rothcontributions. There, you can use the Roth assessment tool to help you decide whether Roth contributions might be right for you. The decision to make Roth contributions depends greatly on your circumstances, including your current and estimated future tax rates. Vanguard offers educational tools to help you learn more about making Roth contributions.

The information contained in this SMM is not to be considered by the participants as tax advice. You should seek the advice of a tax professional or speak to a Vanguard Situational Advisor™ if you are considering adding Roth contributions to your account.

What are Roth conversions?**

In addition to making Roth contributions to your account, you can also convert Pre-tax money to Roth money through the Plan's new Roth conversion feature.

Roth-in plan conversions

The Roth in-plan conversion feature allows you to convert all or part of your **Pre-tax savings** to Roth money within your Plan account. However, you should carefully weigh any future tax benefit against the cost of converting your savings to Roth today. Why? Because in the tax year of the conversion, you'll owe ordinary income taxes on any Pre-tax money that is converted to Roth. **And you would be financially responsible for those taxes. This means that the taxes applicable to the Roth conversion will not come out of the plan. Rather, taxes owed must be paid by you out of your own assets.**

Note: Once you initiate a conversion, you **cannot** undo it within the Plan. *Even if the value of your account falls after an in-plan conversion, you would still owe taxes on the full conversion amount.*

For current contribution limits—and to monitor the fall release of limits for 2024—go to vanguard.com/contributionlimits.

Contact **Vanguard** at **1.800.523.1188** for assistance with Roth conversions.

*****Taxes:*** *When you convert pre-tax money to Roth, you'll owe taxes on the whole amount. You should talk with a tax advisor before you do this. Later, when you take the Roth money out, you won't owe taxes as long as you meet two conditions. First, you're at least age 59½. Second, you converted the money at least five years earlier. If you take the money out early, you may have to pay income tax and a 10% federal penalty tax. If required by law, Vanguard will withhold some taxes for you.*

Enhance your online account security

Want extra peace of mind? Boost your online security when managing your Vanguard account. Here are some simple steps to keep in mind.

- **Register your account.** If you haven't already, visit vanguard.com/register and sign up. Did you know that 92% of participants prefer managing their account online? Doing so offers greater safety, convenience, and control.
- **Take advantage of enhanced security features.** Once you've registered, visit vanguard.com/security and sign up for:
  - **Security code authentication.**
  - **Text message updates.**
  - **Enhanced phone security password.**
- **Follow these additional security tips:**
  - Review your account regularly for unusual activity.
  - Protect your username, password, and answers to security questions.
  - Vary your answers to your security questions—and make sure they're strong.
  - Use up-to-date security, antispyware, antivirus, and firewall software.

Frequently asked questions: Roth contributions

Q. If I make Roth contributions to the Plan, can I still contribute to a Roth IRA outside of the FedEx Plan?

A. Yes, you can, as long as you meet the income limits for a Roth IRA.

Q. Can I choose to invest my Roth contributions differently than my Pre-tax contributions?

A. Yes. You can choose different investments for your Pre-tax and Roth contributions.

Q. Can I take a loan using my Roth contributions?

A. Yes, if you participate in the FedEx 401(k) Plan. Roth contributions are available for loans according to your Plan's loan policy.

Q. Will FedEx provide a Company matching contribution for Roth contributions?

A. If you participate in the FedEx 401(k) Plan and you're eligible to receive matching contributions, FedEx will match the sum of your Pre-tax and Roth contributions, up to 6% of eligible pay. Company matching contributions are not currently provided in the SCA Plan.

Q. Are Company matching contributions taxable upon withdrawal or distribution?

A. Yes. The Company match is made on a Pre-tax basis, so this money and its related earnings will be taxed when you withdraw it or take a distribution from your account.

Q. If I leave FedEx, will my Roth contributions be eligible for rollover to my account in another employer's plan?

A. Yes. If you leave FedEx, you can roll over your Roth contributions to your account in another eligible employer's plan, provided your new employer permits it. You may also roll over your Roth contributions to a Roth IRA. Either option will allow you to make tax-free withdrawals in retirement, within IRS guidelines.

Q. Can I withdraw Roth contributions before age 59½ without penalty?

A. If you are actively employed at FedEx, the only opportunity to withdraw Roth contributions before age 59½ would be within a hardship withdrawal. In this case, the earnings would be subject to regular income tax, plus a 10% federal penalty tax (if no exception is applicable).

Retirement plan early distribution penalty tax exceptions include:

- Death.
- Disability.
- Substantially equal periodic payments based on your life expectancy.
- Separation from service at age 55 or older.
- Payment to an alternate payee under a qualified domestic relations order (QDRO).
- Certain unreimbursed medical expenses.
- IRS levy.
- Qualified reservist distributions.

If you are no longer employed at FedEx and take a distribution of your Roth contributions before age 59½, you may want to consider rolling them into another qualified plan or a Roth IRA to prevent applicable tax and penalties. Please consult your tax advisor before making any of these important decisions.

Q. Does Vanguard monitor the requirements for tax- and penalty-free qualified distributions of Roth money?

A. Yes, Vanguard monitors these requirements. If you take a withdrawal before the five-year mark and/or before you reach age 59½, Vanguard will withhold any penalty taxes from your withdrawal. **Note:** These penalties do not apply if the distribution is due to death, becoming disabled, or other exceptions as applicable under the Code. Any penalty tax is dependent upon your individual tax situation, and you will need to confirm the correct tax payment on your next tax return.

Frequently asked questions: Roth conversions

Q. What is a Roth in-plan conversion?

A. The Roth in-plan conversion feature allows you to convert Pre-tax money that you already have in your Plan account to Roth. This type of conversion is not automatic—you have to initiate it yourself.**

Q. How much tax will I owe on a Roth in-plan conversion?**

A. If you have a lot of Pre-tax money saved, the tax on a conversion could be hefty, since you'll pay tax on the contributions and earnings. Plus, converting could raise your taxable income this year and also potentially move you into a higher income tax bracket. And you'll typically have to pay the taxes at tax time *with money from outside the plan*. You can't use your retirement money to cover this expense.

Whenever you invest, there's a chance you could lose the money.

*****Taxes:** When you convert pre-tax money to Roth, you'll owe taxes on the whole amount. You should talk with a tax advisor before you do this. Later, when you take the Roth money out, you won't owe taxes as long as you meet two conditions. First, you're at least age 59½. Second, you converted the money at least five years earlier. If you take the money out early, you may have to pay income tax and a 10% federal penalty tax. If required by law, Vanguard will withhold some taxes for you.*

Whether you keep your money where it is, move it to an IRA, or move it to another employer's plan depends on your situation and preferences. Some things to consider are available investments and services, fees and expenses, and protection from creditors. Also consider withdrawal penalties, required distributions, and the tax effects of moving company stock to an IRA. There are other factors too. Weigh the pros and cons before you make your decision.

The FedEx Office and Print Services, Inc. 401(k) Retirement Savings Plan and the FedEx SCA Employees 401(k) Retirement Savings Plan are governed by a formal plan document and, in the event of any conflict between this announcement and the plan document, the formal plan document will control. FedEx reserves the right to amend or terminate any of its employee benefit plans, in whole or in part, at any time and for any reason.

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