Introducing Roth Contributions in your FedEx Retirement Savings Plan

Learn all about three new Roth features coming to your Plan

Beginning January 1, 2023, FedEx Corporation Retirement Savings Plans (RSP I and II) will offer a new way to save — Roth contributions.

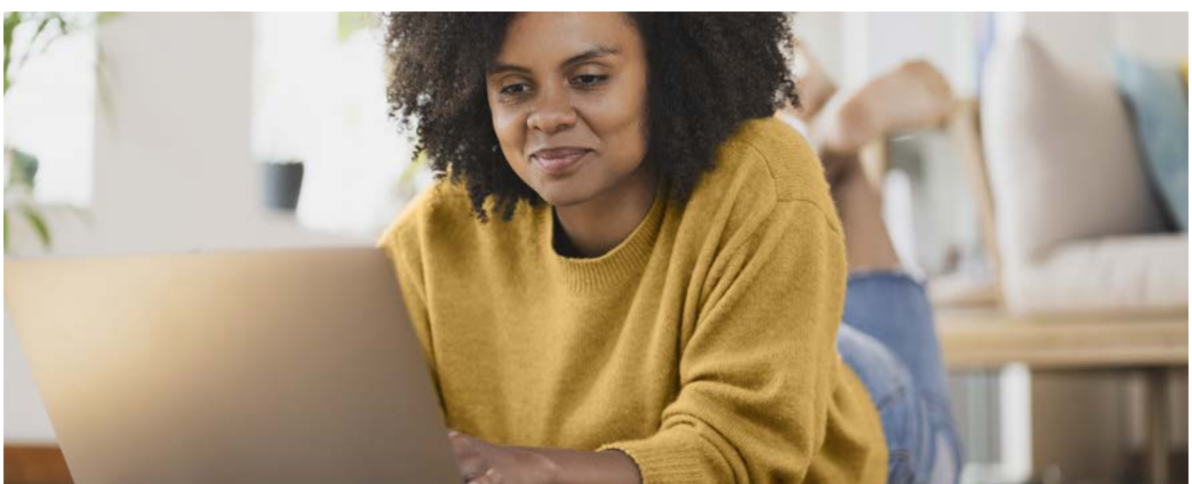
This option gives you a way to receive your money tax-free in retirement. You'll also be able to take advantage of two new Roth conversion features — **Roth in-plan conversions** and **automatic Roth conversions**. Both allow you to convert Pre-tax or traditional After-tax money to Roth savings.

Plus, as of January 4, 2023, FedEx Corporation Retirement Savings Plans (RSP I and II) will be adding **Vanguard Total International Bond Index Fund Institutional Shares** to their investment options.

Vanguard Total International Bond Index Fund is a bond fund that seeks to track the performance of a U.S. dollar-hedged benchmark index that measures the investment return of investment-grade bonds issued outside of the United States. This fund has an expense ratio of 0.07% (as of June 30, 2022) and its benchmark is the Bloomberg Global Aggregate ex-USD Float Adjusted RIC Capped Index.

For more information about this fund, go to this information sheet or access it at: **https://institutional.vanguard.com/iippdf/pdfs/FS2011.pdf**.

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.



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. 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, Pre-tax and traditional After-tax contributions?

The big difference between Roth contributions, Pre-tax and traditional After-tax contributions are 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.
- Traditional After-tax contributions are also taxed before they're added to your account. You won't pay taxes on the contributed amounts, but the earnings on these contributions *will* be taxed when you withdraw them in retirement.
- Roth and Pre-tax contributions are eligible for Company matching contributions. Traditional After-tax contributions are *not* eligible for the Company match.

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, traditional After-tax and Roth contributions.

	Pre-tax & Catch-up	After-tax**	Roth Contributions**
Employee contributions	Made with Pre-tax dollars and reduce taxable income	Made with After-tax dollars	Made with After-tax dollars
What is the maximum elective contribution?	Sum of Pre-tax and Roth contributions are limited to $20,500 in 2022 (plus an additional $6,500 in 2022 if you are at least age 50).	Subject to the overall annual contribution limit ($61,000 in 2022), including your contributions** (except catch-up) and Company matching contributions.	Sum of Pre-tax and Roth contributions are limited to $20,500 in 2022 (plus an additional $6,500 in 2022 if you are at least age 50).
Are employee contributions subject to tax on withdrawal?	Yes	No	No
Are earnings subject to tax on withdrawal?	Yes, the entire withdrawal amount is subject to federal taxes when you withdraw them.	Yes, the earnings on these contributions will be taxed when you withdraw them.	No, these are not taxed when you withdraw them, provided the withdrawal is a qualified distribution.*
Are contributions eligible for the Company match?	Yes	No	Yes
Is the Company match and associated earnings subject to tax on withdrawal?	Yes	N/A	Yes
Are loans available?	Yes	Yes	Yes

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.*

***Highly compensated employees (HCEs) are not permitted to make traditional After-tax contributions.*

According to the IRS, a highly compensated employee (HCE) is anyone who has either:

- Owned more than 5% of the interest in FedEx at any time during the year or the preceding year, regardless of how much compensation that person earned or received, or
- Received compensation from FedEx of more than $130,000 if the preceding year was 2021 (and more than $135,000 if the preceding year was 2022), and if the employer so chooses, was in the top 20% of employees when ranked by compensation.

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.**

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 a Roth IRA 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 $55,000, 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.

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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.

Speak to a Tax Advisor or Financial Planner 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 and traditional After-tax money to Roth money through the Plan's new Roth conversion features. There are two types of Roth conversions:

Roth-in plan conversions

The Roth in-plan conversion feature allows you to convert all or part of your **Pre-tax and traditional After-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, as well as on the earnings of traditional After-tax contributions. **And you would be financially responsible for those taxes.**

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.*

Automatic Roth conversions

The automatic Roth conversion feature allows you to automatically convert **traditional After-tax contributions** to Roth on the same day you make them. Even better, any earnings on the converted money will start growing tax-free immediately.

This approach can allow you to save more Roth money in a year than by just making Roth contributions directly because the total amount of compensation that is deferred as direct Roth contributions are limited by the IRS, whereas that same limitation is not applicable to traditional After-tax contributions that are converted into Roth. Total contributions in 2022 may not exceed the IRS limit of $20,500, plus a $6,500 catch-up contribution limit for those age 50 or older in 2022. For more information about contribution limits — and to monitor the fall release of limits for 2023 — go to vanguard.com/contributionlimits.

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

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 and traditional After-tax contributions?

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

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

A. Yes. 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. Yes. If you're eligible to receive matching contributions, FedEx will match both your Pre-tax and Roth contributions. Traditional After-tax contributions are not eligible for Company matching contributions.

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 is taxed when you withdraw it or it's distributed 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. Yes, provided the five-year time period has been met. However, earnings withdrawn before age 59½ are subject to a 10% federal tax penalty.*

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 you reach age 59½, Vanguard will take out any penalty taxes. **Note:** These penalties do not apply if the distribution is due to death or becoming disabled.

Frequently asked questions: Roth conversions

Q. What is the difference between Roth in-plan conversions and automatic Roth conversions?

A. Roth in-plan conversions allow you to manually convert **existing Plan balances to Roth**, while automatic Roth conversions convert **new contributions** for you. Details include:

- The **Roth in-plan conversion feature** allows you to convert Pre-tax and/or traditional After-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.**
- The **Automatic Roth conversion feature** allows you to automatically convert new traditional After-tax contributions to Roth *on the same day you make the contributions*. You'll pay taxes on the contributions themselves because you're making them on an After-tax basis, but the earnings generally won't be taxed when you take the money out — if you meet certain conditions.* You only need to set up this new feature once. And since traditional After-tax contributions have higher limits, you can save more Roth money in your Plan than you can by only making Roth contributions directly.

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.

How to get started

You can elect to start making Roth contributions, initiate a Roth in-plan conversion, or enroll in the automatic Roth conversion feature starting on December 27, 2022, for the 2023 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.

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

Before you invest, get the details. Consider the fund's objective, risks, charges, and expenses. The fund's prospectus (or summary prospectus, if available) will tell you these important facts and more. So read it carefully. Call Vanguard at 800-523-1188 to get one. Or you can find one at vanguard.com.

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****Taxes:** When you convert pre-tax money to Roth, you'll owe taxes on the whole amount. When you convert traditional after-tax money, you'll owe taxes on just the earnings. 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.

The FedEx Corporation Retirement Savings Plan I and FedEx Corporation Retirement Savings Plan II (RSP I and II) 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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