



Cummins Retirement and Savings Plan (RSP)¹ Roth 401(k) FAQs

The benefits described below may not apply to certain Cummins bargained employees. Please see your Collective Bargaining Agreement (CBA) or Summary Plan Description (SPD) on [Your Benefits Resources](#) to confirm the benefits available to you.

This document includes FAQs about designated Roth accounts in the RSP, including:

General Roth Contributions	2
Basic facts.....	2
Differences between Roth contributions to the RSP and contributions to a Roth IRA	3
Impact on matching contributions	4
Distributions and conversions	4
Resources and tools	5
Roth In-Plan Conversion	7
After-Tax Automatic Conversion to Roth	8
Tax Implications	9

¹ RSP refers to the Cummins Retirement and Savings Plan and the Cummins Retirement and Savings Plan for Certain Collectively Bargained Employees (collectively, the RSP).

General Roth Contributions

Basic facts

How are before-tax and Roth contributions different?

Before-tax contributions are not subject to federal income tax at the time you make the contributions²; they reduce your taxable income now (i.e., in the year contributions are made). However, you pay taxes on your before-tax contributions and the associated earnings when they're distributed to you in the form of a cash payment in the future.

For Roth contributions, you pay taxes on those contributions in the year they are made, and they don't reduce your taxable income now. However, your Roth contributions and the associated earnings are tax-free when they're distributed to you in the form of a cash payment in the future, provided the distribution is qualified (see [What is a "qualified" distribution?](#) for details about qualified distributions).

What is a "qualified" distribution?

If you have a qualified distribution, your Roth contributions and the earnings on your Roth contributions will be distributed tax-free. To be a qualified distribution, you must meet BOTH of the below conditions:

1. The distribution is made at least five years after the year of your first Roth contribution to the RSP (counting the first year as part of the five), AND
2. It is distributed after you reach age 59½ or on account of your death or disability.

What is the maximum Roth contribution that can be made to the RSP during a plan year?

The individual contribution limit for 2025 is \$23,500 and is periodically adjusted by the IRS. The limit applies to the total of all before-tax and Roth contributions, meaning the combination of before-tax and Roth contributions cannot exceed \$23,500. To clarify, you cannot contribute \$23,500 on a before-tax basis and \$23,500 on a Roth basis. The only exception is for catch-up contributions, which can exceed this limit (see [Can I make Roth catch-up contributions?](#) for details about catch-up contributions). There are additional contribution limits imposed by the RSP that may apply to you. Please consult the SPD for more details.

Can I make Roth catch-up contributions?

Employees who are age 50 or older are eligible to make catch-up contributions. You are catch-up eligible in the year in which you turn age 50, and you are eligible for increased catch-up (also referred to as super catch-up) contributions in the years in which you turn ages 60 to 63. For example, if you turn age 50 on Dec. 31, 2024, you may begin making catch-up contributions on Jan. 1, 2024. The catch-up limit for 2025 is \$7,500 and the super catch-up limit for 2025 is \$11,250. The limits are periodically adjusted by the IRS. The limits apply to the total of all before-tax and Roth catch-up contributions.

If I am a highly compensated employee (HCE), can I still make Roth contributions to the RSP?

Yes, there are no income limitations that will stop you from making Roth contributions to the RSP.

Can I contribute both before-tax and Roth contributions to the RSP?

Yes, you may contribute both before-tax and Roth contributions.

² Before-tax contributions may be subject to state income tax depending on your state of residence.

If I start making Roth contributions, do I need to open a new RSP account? Where will my Roth contributions go?

Your Roth contributions will be deposited into your existing RSP account. You will, however, see a new balance type labeled "Roth 401(k)". Your Roth contributions and the earnings associated with your Roth contributions will be in the Roth 401(k) balance. We sometimes refer to these amounts as "Roth amounts" or "Roth funds".

What is the difference between Roth contributions and after-tax contributions?

The main difference between the two types of contributions is how the earnings are taxed. The earnings associated with Roth contributions can be distributed tax-free if the distribution is qualified (see [What is a "qualified" distribution?](#)). Earnings on after-tax contributions are taxable when they're paid to you regardless of how long the contributions have been in the plan. In addition, Roth contributions are eligible for company matching contributions, while after-tax contributions are generally not eligible for company matching contributions. Roth contributions are subject to the \$23,500 contribution limit and the catch-up or super catch-up limit (if applicable) and after-tax contributions are subject to different limits. The IRS adjusts contribution limits periodically. To review current contribution limits on [Your Benefits Resources](#), go to "Change Contributions" and choose the "Contributions Limits" link under *Documents and Resources*.

Differences between Roth contributions to the RSP and contributions to a Roth IRA

If I make Roth contributions to the RSP, can I also make contributions to a Roth Individual Retirement Account (IRA)?

Yes. You can contribute to a Roth IRA and make Roth contributions to the RSP. Keep in mind that your ability to contribute at all, and any contributions to a Roth IRA, are limited based on your income and tax-filing status. To learn more about your savings options, we suggest seeking personalized advice from a financial advisor.

What is the difference between a Roth IRA and a Roth account in a 401(k) plan?

A Roth account in a 401(k) plan is part of a retirement plan sponsored by an employer, whereas a Roth IRA is a personal account set up by you that is your individual responsibility. The RSP is a 401(k) plan that allows Roth 401(k) contributions. 401(k) plans allow for larger contributions and possible matching contributions, and there are no income limitations that legally restrict contribution eligibility. Generally, the contribution limit for 2025 to the RSP is \$23,500 for those under 50, \$31,000 for catch-up eligible participants and \$34,750 for super catch-up eligible participants. The Roth IRA contribution limit is \$7,000 for those under 50, and \$8,000 for those 50 and older.

If I make contributions to a Roth IRA, will my Roth IRA contributions be matched?

No, only contributions made to the RSP are eligible for company matching contributions. A Roth IRA is not an employer sponsored plan.

Can I roll my Roth IRA into the RSP?

No, Roth IRAs cannot be rolled into the RSP.

Impact on matching contributions

Are Roth contributions eligible for match?

Yes. Roth contributions to the RSP are eligible for matching contributions from Cummins on the same basis as before-tax contributions. This assumes you are eligible to receive matching contributions.

Can company matching contributions be designated as Roth contributions?

No. If you are eligible for company matching contributions, those contributions will continue to be made with before-tax dollars and will be taxable (along with the associated earnings) when they are paid to you regardless of whether you contribute to the RSP on a before-tax or Roth basis.

If I contribute all Roth contributions and no before-tax contributions, will I still receive a match?

Yes, assuming you are eligible to receive company matching contributions.

What is the Cummins match in the RSP for Roth contributions?

Generally, if you participate in the RSP, Cummins will match 100% of the first 1% of eligible before-tax and/or Roth money that you contribute and 50% of the next 5%. If you contribute 6% or more of your pay on a before-tax and/or Roth basis, you will receive the full company match of 3.5% of your plan-eligible compensation. If you are a bargained employee, your match may be different. Please consult your CBA or SPD for the match formula.

If I make a 6% before-tax contribution and a 6% Roth contribution, will I receive a 3.5% match on each type of contribution (so a total 7% match)?

No, the match formula considers your total combined contribution rate (before-tax and Roth) for the company match. The total possible match is 3.5%, if you are eligible to receive matching contributions. Please note: The benefits described may not apply to certain Cummins bargained employees. Please see your CBA or SPD on [Your Benefits Resources](#).

Does Cummins provide a “true-up” contribution if I max out early in the plan year?

Yes, the plan does offer a “true-up,” so you will not miss out on a match if you reach your contribution limit early in the year.

Distributions and conversions

Can I roll over my Roth contributions if I leave Cummins?

Yes. When you leave Cummins, you can roll over your Roth contributions in the RSP into a Roth IRA. You may also be able to roll over Roth contributions into a new employer’s 401(k) plan if it accepts Roth rollovers.

Will I be taxed on the earnings if I roll my Roth money over to a Roth IRA or a Roth 401(k) before I meet the five-year rule?

No, the Roth earnings will not be taxable if you roll them over before you meet the five-year rule. Taxes would only apply if you received the funds in a cash distribution.

Will I be taxed on both my Roth contributions and the earnings if I take a distribution that is not a qualified distribution?

No, only the earnings will be taxed if you take a cash distribution that is not a qualified distribution, because you have already paid taxes on the Roth contributions. See [What is a “qualified” distribution?](#) for a reminder of what a qualified distribution is.

Does the five-year period for a qualified distribution change if I roll my Roth funds over to a Roth IRA? What if I already met the five-year period in the RSP?

Yes, the five-year period for a “qualified” distribution may change if you roll your Roth funds over to a Roth IRA because it will be determined by reference to the Roth IRA instead of the RSP. As a result, the five-year period will start over if you roll your Roth funds over to a newly established Roth IRA, even if you have already satisfied the five-year period in the RSP. If you roll your funds into an existing Roth IRA, then the rollover funds are subject to the five-year period associated with the existing Roth IRA. See [What is a “qualified” distribution?](#) for a reminder of what a qualified distribution is.

Does the five-year period for a qualified distribution change if I roll my Roth funds into a new employer’s Roth 401(k)?

Generally, no, the five-year period will not change or start over when you roll your Roth funds into another Roth 401(k).

If I terminate employment with Cummins, can I leave the funds in the RSP until I reach age 59½ and wait five years?

Yes, if your account balance exceeds \$7,000. Balances that are \$7,000 or under may be distributed to you if you do not elect a distribution upon termination of employment. If you do not want to be taxed due to a distribution that is not a qualified distribution, you may initiate a rollover.

Can I take out my Roth RSP funds while still employed?

Roth amounts will follow the same distribution eligibility rules as before-tax amounts. Please refer to the SPD for details on when funds can be distributed.

Are my Roth RSP contributions subject to the required minimum distribution (RMD) rules?

No. Roth amounts are not subject to the RMD rules for participants while held in the plan, regardless of how the money was deposited into the Roth account. However, beneficiaries of deceased participants are subject to certain RMD rules.

Resources and tools

How do I know if Roth contributions are right for me?

This is a personal choice based on your specific facts and circumstances. Cummins cannot provide you with personalized advice.

One of the most important factors to consider when you are deciding between Roth and before-tax contributions is whether you think your tax rate will be different in retirement than it is today. Generally, the greater the increase or decrease in your future tax rate, the more impact your choice may have on your account value in retirement.

There are resources and tools available on [Your Benefits Resources](#) to help you determine if Roth contributions are right for you. To find more information, click on “Beginning Your Plan” (under the *Financial Education* section of the *RSP & Pension* menu) to:

- Review the “Is Roth 401(k) Right for You” page.
- Use the “Impact on Paycheck” tool to see how the various contribution types will impact your take-home pay.

Use the “Compare Roth Savings versus Before-Tax” calculator to see how your money can grow using the different contribution types.

You can make a Roth contribution election online by visiting the “Change Contributions” page on [Your Benefits Resources](#) or by calling the Cummins Retirement Benefits Service Center at **1-800-682-8788**.

Making Roth contributions can significantly impact your current and future taxes; consult with a tax advisor or financial planner for individual guidance.

Roth In-Plan Conversion

What is a Roth In-Plan Conversion?

A Roth In-Plan Conversion allows you to convert all or a portion of your RSP vested account balances (that are not already Roth) to Roth amounts in your RSP account. Converted Roth amounts remain invested in the same investment funds that such amounts were invested in prior to the conversion. For more information on your specific RSP vested account balances and how they are converted, contact Cummins Retirement Benefits Service Center at **1-800-682-8788**.

When you choose to convert all or a portion of your before-tax or after-tax retirement savings to Roth amounts, it gives you the opportunity to have tax-free income in retirement. That's because you'll pay taxes in the year the conversion occurs on any converted money that hasn't been taxed previously. If you anticipate you will be in a higher tax bracket when you retire, you may pay less in taxes if you convert money to a Roth account now. So long as you take a qualified distribution in the future, the money you convert and the earnings associated with such amount may be distributed tax-free in retirement. See [What is a "qualified" distribution?](#) for a reminder of what is a qualified distribution.

Who is eligible to make a Roth In-Plan Conversion?

All participants who have vested account balances in the RSP are eligible for a Roth In-Plan Conversion.

How often can I do a Roth In-Plan Conversion?

You can elect a Roth In-Plan Conversion as often as you'd like, provided you have a vested account balance in the RSP. Once the funds are transferred to the Roth account, the conversion cannot be reversed.

How do I initiate a Roth In-Plan Conversion?

You can initiate the Roth In-Plan Conversion by going to [Your Benefits Resources](#) and following these steps:

- From the Home page, select "RSP & Pension"
- Select "Convert to Roth"

You can also call the Cummins Retirement Benefits Service Center at **1-800-682-8788**.

Can I reverse my Roth In-Plan Conversion and return the converted funds back to their original tax status as before-tax or after-tax amounts?

No, a Roth In-Plan Conversion is irreversible. Once the conversion is complete, the funds cannot be converted back to their original tax status. This is a legal requirement.

Can I convert money invested in the Cummins Stock Fund to a Roth?

Yes. When you make a Roth In-Plan Conversion, you decide which balances you would like to convert, including those invested in the Cummins Stock Fund. There could be tax implications if you have after-tax contributions invested in the Cummins Stock Fund. Consult with a tax advisor or financial planner for individual guidance.

Is a Roth In-Plan Conversion right for me?

Choosing this election is a personal financial decision. It's important to note that this decision can significantly impact your current and future taxes. Consult a tax advisor or financial planner for individual guidance before you decide if a Roth In-Plan Conversion is right for you.

After-Tax Automatic Conversion to Roth

What is an After-Tax Automatic Conversion to Roth?

An After-Tax Automatic Conversion to Roth allows your after-tax contributions deducted from your paycheck to be first deposited into your after-tax account and then immediately converted to Roth on the same day. Said another way, if you elect After-Tax Automatic Conversion to Roth, you will have a standing election to make a Roth In-Plan Conversion each time you make an after-tax contribution to the RSP. For information about taxation, see [Are there any other tax impacts related to a Roth In-Plan Conversion of after-tax amounts or an After-Tax Automatic Conversion to Roth?](#)

You can opt in or opt out of the After-Tax Automatic Conversion to Roth feature at any time, but your election will only apply on a prospective basis.

Who is eligible to participate in After-Tax Automatic Conversion to Roth?

All participants who contribute on an after-tax basis to the RSP are eligible for After-Tax Automatic Conversion to Roth.

How do I opt in and opt out of After-Tax Automatic Conversion to Roth?

You can opt in or opt out of After-Tax Automatic Conversion to Roth at any time by going to [Your Benefits Resources](#) and following these steps:

- From the Home page, select “RSP & Pension”
- Select “After-Tax Automatic Conversion to Roth”

You can also call the Cummins Retirement Benefits Service Center at **1-800-682-8788**.

If I opt in to After-Tax Automatic Conversion to Roth, how long will my election remain in place?

Your After-Tax Automatic Conversion to Roth election stays in place until you make a new election to turn it off. You can change your election by going to [Your Benefits Resources](#) and following these steps:

- From the Home page, select “RSP & Pension”
- Select “After-Tax Automatic Conversion to Roth”

You can also call the Cummins Retirement Benefits Service Center at **1-800-682-8788**.

Note that changing your after-tax contribution rate to zero will not turn off the election. If you haven't turned off the election and you start making after-tax contributions again, your After-Tax Automatic Conversion to Roth election will apply and the Roth In-Plan Conversions after each after-tax contribution to the RSP will continue.

Is After-Tax Automatic Conversion to Roth right for me?

Choosing this election is a personal financial decision. It's important to note that this decision can significantly impact your current and future taxes. Consult a tax advisor or financial planner for individual guidance before you decide if after-tax automatic conversion to Roth is right for you.

Tax Implications

Will I pay taxes when electing a Roth In-Plan Conversion?

Yes. You'll pay taxes in the year the conversion occurs on any converted amounts that have not been taxed previously. This includes both before-tax contributions and any earnings on before-tax and after-tax contributions that are converted to Roth amounts, as applicable. You should be aware that a Roth In-Plan Conversion will increase your tax liability for the year and may push you into a higher tax bracket and increase the effective tax rate that will apply for purposes of determining the income tax that you owe for the year. There is no withholding on Roth In-Plan Conversions in the RSP, so you will need to pay the additional taxes owed to the government out of pocket.

After-tax example:

Let's assume you request to convert your entire after-tax account balance worth \$400,000, which includes \$100,000 of taxable investment earnings. You pay no additional taxes on the principal amount of \$300,000 of your after-tax contributions because you were taxed on those contributions previously. The investment earnings of \$100,000 are taxed as income in the calendar year of the conversion. The following hypothetical case illustrates how a Roth In-Plan Conversion might impact your tax liability for the year of conversion. The impact of the conversion on your tax liability will depend on the marginal tax rate that applies to the additional taxable income from your Roth In-Plan Conversion. Let's assume for purposes of this hypothetical case that the marginal tax rate that would apply is 35%.

Roth In-Plan Conversion in 2025	\$400,000 after-tax amount (consisting of \$300,000 in after-tax contributions and \$100,000 in taxable investment earnings associated with such after-tax contributions)
Non-taxable portion of conversion	\$300,000
Taxable portion of conversion	\$100,000
Marginal tax rate	35%
Additional tax liability for 2025	\$35,000

Before-tax example:

Let's assume you request to convert your entire before-tax account balance worth \$400,000, which includes \$100,000 of taxable investment earnings. Both the principal amount of \$300,000 of your before-tax contributions and \$100,000 of investment earnings will be taxed as income in the calendar year of the conversion.

The following hypothetical case illustrates how a Roth In-Plan Conversion might impact your tax liability for the year of conversion. The impact of the conversion on your tax liability will depend on the marginal tax rate that applies to the additional taxable income from your Roth In-Plan Conversion. Let's assume for purposes of this hypothetical case that the marginal tax rate that would apply is 35%.

Roth In-Plan Conversion in 2025	\$400,000 before-tax amount (consisting of \$300,000 in before-tax contributions and \$100,000 in taxable investment earnings associated with such before-tax contributions)
Taxable portion of conversion	\$400,000
Marginal tax rate	35%
Additional tax liability for 2025	\$140,000

If I have after-tax account balances invested in the Cummins Stock Fund and choose to convert all or a portion to Roth, will there be tax implications?

Yes. You must pay taxes on the investment earnings of any after-tax account balances that are converted to Roth. When these after-tax balances are converted through a Roth In-Plan Conversion or After-Tax Automatic Conversion to Roth, the conversion will be based on the fair market value of the shares at that time. Please be aware that if you have after-tax account balances that are invested in the Cummins Stock Fund and chose to convert all or a portion of that after-tax balance, any available special tax treatment for “net unrealized appreciation” (NUA) on Cummins stock could be lost.

If you elect After-Tax Automatic Conversion to Roth, in accordance with IRS tax code requirements, balances invested in the Cummins Stock Fund within the after-tax accounts will be included. You cannot exclude balances in the Cummins Stock Fund from after-tax automatic conversions. This may impact your cost basis in your Cummins Stock Fund account that is used to determine your NUA on those shares.

If you hold company stock in the RSP, consult with a tax advisor before electing a Roth In-Plan Conversion or After-Tax Automatic Conversion to Roth. For additional details about special tax treatment for NUA, refer to [Cummins Stock Notice](#) by going to [Your Benefits Resources](#) and from the Home page, under *Quick Links*, select “Plan Information”.

Are there any other tax impacts related to a Roth In-Plan Conversion of after-tax amounts or an After-Tax Automatic Conversion to Roth?

As described under [Will I pay taxes when electing a Roth In-Plan Conversion?](#), earnings associated with after-tax amounts that are converted to Roth are subject to taxation in the year of the conversion.

In addition, when you take a distribution from the RSP or do a Roth In-Plan Conversion of after-tax amounts (contributed to the plan after 1986), the IRS requires that you also take a portion of/convert a portion of the earnings associated with your after-tax contributions to the RSP. Therefore, if you have an after-tax balance that includes earnings, then a proportionate amount of earnings must also be converted each pay period, and that will result in a portion of each conversion being taxable. The entire after-tax balance is taken into account, not just the current contribution.

For example, if you elect After-Tax Automatic Conversion to Roth and you have a \$100 after-tax contribution taken from your paycheck, \$100 will be automatically converted from after-tax to Roth. However, if you already have an after-tax balance in the RSP that includes taxable investment earnings, that \$100 will be made up of after-tax contributions (which have already been taxed and are not taxable as the result of the conversion) and earnings (which are taxable as the result of the conversion). In this circumstance, you would incur tax liability even though the current after-tax contribution was automatically converted before being invested and earning any returns. A similar process would occur each pay period for so long as you have an after-tax balance in the RSP that includes taxable investment earnings. The following year, you would receive a 1099-R showing taxable income and you would have to pay taxes on the additional taxable amounts.

You may not have tax liability if you don’t have a balance in the after-tax account at the time of the Roth In-Plan Conversion. If there’s no balance in the after-tax account, then there are no earnings associated with after-tax amounts and consequently no tax.

If you have a balance in the after-tax account and wish to initiate a Roth In-Plan Conversion or elect After-Tax Automatic Conversion to Roth, you should speak to a financial/tax advisor to determine what options might be best for you.

What resources are available to help me review the potential tax impacts of a Roth In-Plan Conversion and/or After-Tax Automatic Conversion to Roth?

Because the potential impact depends greatly on your personal circumstances, including your current and estimated future tax rates, please consult with your tax advisor or financial professional before making your decision.