



## Another Savings Opportunity: After-Tax RSP Contributions

The Cummins Inc. and Affiliates Retirement and Savings Plans (RSP) can be a great tool for building your future financial security. To help you save, Cummins matches a portion of your before-tax contributions to the RSP. But did you know that once you reach your before-tax contribution limit, you can also contribute to the RSP on an *after-tax* basis? This can be a useful way of boosting your retirement savings beyond IRS limits—and, based on your specific plan, you may even be eligible for a company match on a portion of your after-tax RSP contributions.

Please read below for details on how Cummins can help you make after-tax RSP contributions work to your financial advantage.

### Overview: How After-Tax Contributions Work

Your after-tax RSP contributions come out of your Cummins take home pay—that is, after applicable taxes (including federal and state income, Social Security, and Medicare taxes) have been deducted. Unlike before-tax contributions, after-tax contributions do not offer the benefit of lowering your overall taxable income. However, after-tax contributions are subject to higher IRS limits (see below), so that you can keep adding to your RSP balance even after you reach your annual before-tax contribution limit. In short, this gives you an additional option for growing the tax-advantaged savings your RSP account provides.

Once invested in the RSP, your after-tax contributions are treated exactly like your before-tax contributions. You can invest your money among the available funds and can change your investment mix at any time.

### Your After-Tax Contribution Limits

Your after-tax RSP contribution limits are based on whether or not you are considered a highly compensated employee, as described below. *(If you will be age 50 or older in 2017, see the panel at right for additional information.)*

- **If you are not a non-highly compensated employee**, you are allowed to contribute a combined before- and after-tax maximum of 50 percent of your pay to the RSP each year. This means that if you have already reached the IRS before-tax contribution limit of \$18,000 for 2017, you can still make after-tax contributions up to the overall 50 percent limit for the year.

**Example:** *If your eligible pay is \$60,000, you are allowed to contribute an annual maximum of \$30,000 (50 percent) to the plan. After reaching the \$18,000 before-tax limit, you would be able to contribute \$12,000 on an after-tax basis.*

- **If you are a highly-compensated employee**, you are allowed to contribute a combined before- and after-tax maximum of 50 percent of your pay to the RSP each year, subject to the following limits:
  - A maximum before-tax contribution of \$18,000 (for 2017); and
  - A maximum after-tax contribution of 10 percent of your pay.

#### Catch-Up Contribution Limits

If you are turning age 50 or older in 2017, the IRS allows you to make additional “catch-up” before-tax contributions to your RSP account each year. If applicable, you can contribute an additional \$5,000 to your account for 2017. This limit applies to both highly compensated and non-highly compensated employees and is not restricted by other limits on your annual account contributions.

**Example:** *If your eligible pay is \$120,000, you would be allowed to contribute up to \$18,000 on a before-tax basis, and \$12,000 on an after-tax basis—for a total RSP contribution of \$30,000 for the year.*

Please note that in addition to the limits above, you are subject to IRS section 415 limits on the **total** amount that you and Cummins can contribute to your RSP account each year. For 2017, this limit is the lesser of 100% of your pay or \$53,000. (Please note that this limit does not apply to catch-up contributions; see the sidebar above for more details.)

### **Electing Your After-Tax Contribution Rate**

You can make or update your after-tax RSP contributions at any time. Just log on to **[www.yourbenefitsresources.com](http://www.yourbenefitsresources.com)** and click on “Change Contributions.” Then, just scroll down to the After-Tax Contribution Rate panel and enter a savings rate from 0–50 percent. Click “Submit,” and then follow the screen prompts to confirm your new election and access a confirmation page. Print this page for your records. Your after-tax contributions will begin within one to two pay periods.

### **Questions?**

If you have questions about after-tax contributions or your benefits under the RSP, call the Cummins Retirement Benefits Service Center at **1-800-682-8788\***. Representatives are available to assist you Monday through Friday between 7:00 a.m. and 6:00 p.m. Central time.

*\*Outside the United States, Puerto Rico, or Canada, call 1-847-883-2076.*