After Tax Contribution

After-tax 401(k) contributions are contributions you make to your 401(k) plan after income taxes have already been withheld from your paycheck. Unlike Pre-tax contributions (which reduce your taxable income now) or Roth contributions (which grow tax-free if qualified), after-tax contributions allow you to save additional money beyond the regular 401(k) limits.

Key Features

- **Tax treatment:** Contributions are made with after-tax dollars, so they do not reduce your current taxable income.
- **Growth:** Earnings on these contributions grow tax deferred.
- **Withdrawals:**
    - Because taxes were already paid on the contributions, withdrawals will not be subject to additional income taxes.
    - Earnings are taxable when withdrawn and may incur a penalty if taken before age 59½.
- **Purpose:**
    - **Contribute beyond the IRS limits:** Often used by employees who have already maxed out their regular Pre-tax or Roth 401(k) contributions and want to save more.[2]
    - **Flexible Access:** You can use these contributions like a savings account—withdraw funds at any time without needing a specific reason.

Note: Contributions do not incur additional taxes when withdrawn, but earnings may be taxable and subject to penalties if taken before age 59½.

Tip: Consider rolling over Voluntary After-Tax contributions to a Roth IRA or Roth 401(k) for potential tax advantages.

After-Tax vs. Roth 401(k) Contributions

After-tax 401(k) contributions differ from Roth 401(k) mainly in how earnings are taxed. Both use after-tax dollars, but Roth contributions allow tax-free withdrawals of both contributions and earnings in retirement if conditions are met. In contrast, after-tax 401(k) contributions do not incur additional taxes when withdrawn, any withdrawn earnings are taxable and may incur penalties if taken before age 59½. These contributions are typically chosen by employees who have already maxed out their Pre-tax or Roth limits. And unlike Pre-Tax or Roth contributions, which have restrictions on when funds can be accessed, after-tax accounts offer flexibility—employees can withdraw money at any time, for any reason, without justification.

Feature	After-Tax 401(k)	Roth 401(k)
Tax on Contributions	Paid upfront (after-tax dollars)	Paid upfront (after-tax dollars)
Tax on Earnings	Taxed when withdrawn	Tax-free if qualified withdrawal
Withdrawal Rules	Contributions can be withdrawn with no additional taxes due; earnings will be taxed and may incur penalty if before 59½	Qualified withdrawals are tax-free after age 59½[3]
Contribution Limits	Subject to overall plan limits; allows saving beyond annual IRS limits[2]	Subject to annual IRS limits for Roth contributions[1]
Company Match	Eligible for company match	Eligible for company match
Best For	Employees who max out annual IRS limits and want to save more or want easy access to funds at anytime	Employees who want tax-free growth and withdrawals

Tip: After-tax contributions can often be rolled over into a Roth IRA or Roth 401(k) for tax-free growth.

This information is intended to provide a general summary and is not tax advice. Please consult your tax advisor or visit www.irs.gov for specific information about how the tax rules apply to your situation.

1 For 2026, the IRS maximum you can contribute to a 401(k) plan is a total of $24,500 (if you are 50 or older $32,500) (if you are 60-63 $35,750) through pre-tax contributions, Roth contributions, or a combination of both. Each year the IRS may adjust the maximum dollar amount you can contribute to a 401(k) plan.

2 For 2026, the Annual Addition Limit for Defined Contribution Plans IRC415(c)(1)(A) DC Limits is $72,000.

3 A "qualified distribution" of earnings can be tax-free. For a distribution to be qualified, the distribution must (1) be after you've reached age 59 ½ and (2) must occur at least five years following the first contribution (some exceptions apply). Based on qualified distribution rules.

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Voluntary After-Tax Contributions: Key FAQs

1. Can employees make elections to Voluntary After-Tax at any time?

Yes. Employees can start Voluntary After-Tax contributions at any time.
They do not need to max out regular Pre-tax or Roth contributions first.

Changes to your contributions can be made on the website.

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2. Can employees withdraw all or a portion of their Voluntary After-Tax contributions at any time?

Yes.

- The contribution portion is not taxable.
- The earnings portion is subject to income taxes and may incur an early withdrawal penalty if taken before age 59½.

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3. If an employee requests a distribution, must it include earnings?

Yes. Distributions are processed pro-rata, meaning contributions and earnings are withdrawn together.

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4. Does the company match apply to Voluntary After-Tax contributions?

Yes. The company match applies to Voluntary After-Tax contributions.

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