

The Laitram Employees' Incentive Savings (401k) Plan After-Tax Contribution with Roth In-Plan Conversion Feature

Laitram's 401(k) plan includes an After-tax Contribution with Roth In-plan conversion feature. This memo provides an overview of this feature along with information on whether this option may be beneficial to you. Please review this memo carefully and contact Rob Munch (ext. 1231) if you have any questions.

Important Note on After-tax Contributions

If you have not already reached the maximum annual deferral limit (\$23,500 for 2025) in Pre-tax and/or Roth contributions to the plan, or do not intend to do so by the end of the year, you should seriously consider whether making After-tax Contributions is an appropriate savings strategy for you. **The reason is that After-tax Contributions are not matched by the Company.** So, to ensure you receive the full Company match on your deferrals, you should consider "maxing out" your Pre-tax and Roth contributions. **It's also recommended that you consult with a financial or tax advisor before utilizing this feature.**

Important Note on Roth In-plan Conversion Feature

Utilizing the After-tax and Roth In-plan Conversion feature is a two (2) step process. **You must** (1) make your After-tax election and then (2) contact Fidelity by phone (800) 835-5095 to initiate the Roth In-plan Conversion for your After-tax election. **If you do not follow both steps, then you will be taxed on earnings in your After-tax contribution account when you withdraw your money.**

What is an After-tax Contribution?

A voluntary contribution to the 401(k) plan that is made on an "after-tax" basis, meaning you have already paid income taxes on the amounts that are contributed. Although these contributions are made on an "after-tax" basis, earnings on these contributions grow on a tax-free basis until they are withdrawn. In order to avoid taxation on those earnings when they are withdrawn, you can utilize the plan's In-plan Roth Conversion feature (discussed below).

If you utilize this feature, you can contribute to three "buckets" within the plan, as follows:

1. Existing Pre-tax Contributions which **are eligible** for the Company 4% match
2. Existing Roth Contributions which **are eligible** for the Company 4% match
3. After-tax Contributions which **are NOT eligible** for the Company 4% match

As noted above, a widely adopted strategy is to **only make After-tax Contributions after** you've reached your Pre-tax/Roth deferral limit for the year (\$23,500 for 2025). You also need to keep in mind the two types of Company contributions (e.g. Company Safe Harbor Match and Year-end Nondiscretionary Contribution) so that there is not an over-contribution to the plan in a given year. This point is discussed in more detail later in this memo.

Can I withdraw After-tax Contributions?

Yes, you can withdraw After-tax Contributions at any time, without penalty and without paying taxes. Unlike Pre-tax Contributions and earnings on Roth contributions, which are subject to a 10% penalty if withdrawn before age 59½, there is no penalty imposed on the withdrawal of after-tax contributions. However, when you withdraw your After-tax Contributions, you must also withdraw any earnings on the After-tax Contributions. The earnings are subject to taxation and withholding, and if you are under age 59½, the earnings are subject to a 10% penalty.

Can I do an Roth In-Plan Conversion on my After-tax Contributions?

Yes, this is a commonly utilized feature. After-tax Contributions can be automatically converted to Roth contributions through the plan's In-Plan Conversion feature without any tax consequence. This is a common strategy utilized by retirement plan participants for two reasons.

1. First, Roth contributions (including earnings) can be withdrawn tax-free if you reach a qualifying age, which is different from earnings on After-tax Contributions, which are subject to taxation when they are withdrawn. Therefore, some participants find it preferable to maintain higher balances in a Roth after-tax account rather than a non-Roth after-tax account within the Plan.
2. Second, annual Pre-tax and Roth contributions are subject to IRS deferral limits (combined \$23,500 for 2025), whereas After-tax Contributions are subject to a much higher limit (\$70,000 for 2025), less any employee deferrals and employer contributions made during the same year). Therefore, making After-tax Contributions and then immediately converting those amounts to Roth Contributions is a widely utilized strategy.

Refer to Fidelity's Roth In-plan Conversion pamphlet on how to setup the Roth conversion feature for your After-tax Contributions. Please note that you must call Fidelity directly to enable this feature; this feature cannot be enabled online or via the Fidelity app.

Am I required to convert my After-tax Contributions to a Roth?

No, the decision to convert non-Roth money to a Roth account is optional. You should consult with a financial or tax advisor on whether it makes sense for you to convert your After-tax Contributions. As described above, the conversion feature is a widely utilized retirement strategy for those making After-tax Contributions, but you should consider your individual tax and financial situation.

Am I limited to how much I can contribute as After-tax Contributions?

Yes, there are two limits on how much you can contribute to the plan on an after-tax basis.

1. First, you can only contribute up to 7% of your annual compensation on an after-tax basis. This limitation is in place to help ensure the plan does not violate IRS testing rules.

2. Second, total contributions to the plan, **by you and the Company combined**, cannot exceed the annual IRS limit (\$70,000 for 2025). This chart provides an overview of the contribution options available to you along with the impact of Company contributions to the annual limit that impacts how much you can defer.

1. Employee contributes maximum amount on Pre-tax/Roth basis (2025)	\$23,500	Consider maximizing your Pre-tax/Roth contributions before making after-tax contributions, so that you are eligible to receive the full amount of the matching contribution from the company.
2. Company Safe Harbor Match and Year-end Nondiscretionary	\$7,000	Assumes annual total compensation (Base + Variable Pay) of \$100k with 4% company match and 3% year-end company contribution.
3. Employee Contributes After-tax contributions at maximum allowed of 7%	\$7,000	Employee After-tax contributions capped at 7% of compensation to ensure plan does not violate IRS testing rules. This cap may be increased in the future.
4. Total Employee/Company Contributions	\$37,500	Employees 50 or older may contribute an additional \$7,500 (for 2025) which does not count against the IRS total contribution limit (see below).
5. IRS Contribution Limit (2025)	\$70,000	This is an annual limit imposed by the IRS for all contributions to the plan made by you and the Company.
6. Catchup Contribution for Employees 50 or older	\$7,500	Total contribution for employee 50 or older is \$45,000
7. Additional Catchup Contribution for Employees 60-63	\$3,750	Total contribution for employee 60-63 or older is \$48,750 . Employees turning 64 in 2025 are not eligible to make this additional contribution at any time in 2025 even before they turn 64.

Am I responsible for determining if I may exceed the IRS contribution limit?

Yes. It is your responsibility to track how much you and the Company are contributing to the plan. If you are approaching the annual limit, it is your responsibility to discontinue your After-tax Contributions.

Can Laitram or Fidelity setup an alert or automatically stop my After-Tax Contributions when the Annual Limit has been reached?

No. At this time, neither Laitram's nor Fidelity's systems provide this functionality.

What happens if I exceed the IRS annual contribution limit?

The amount exceeding the annual limit, along with any earnings on the amount, will be distributed from the plan. Your excess contributions will be distributed to you tax-free while the earnings on those contributions would be taxable compensation.

How do I elect to make After-tax Contributions?

Simply go to 401k.com or the Fidelity NetBenefits app and enter the percentage (1-7%) that you wish to contribute After-tax. The contribution options for our plan will be displayed as depicted below: Pre-tax, Roth and the new After-tax option.

Change contributions ×

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Contribution per paycheck

7%

Estimate dollar amount

PRE-TAX	⊖	0%	⊕
Min. 0.00%, Max. 100.00%			
ROTH	⊖	0%	⊕
Min. 0.00%, Max. 100.00%			
AFTER-TAX	⊖	7%	⊕
Min. 0.00%, Max. 6.00%			

SUMMARY OF CONTRIBUTION FEATURES FOR PLAN YEAR 2024

Contribution Type	Pre-Tax	Roth	After-tax
Maximum Contribution (plan year 2025) Pre-tax and Roth contributions cannot exceed \$23,500 combined	Up to \$23,500 (less any amounts made as Roth contributions) Pre-tax and Roth contributions cannot exceed \$23,500 combined	Up to \$23,500 (less any amounts made as pre-tax contributions) Pre-tax and Roth contributions cannot exceed \$23,500 combined	\$70,000 (less amounts contributed as pre-tax, Roth deferrals and/or employer contributions)
Matched by Laitram	Yes	Yes	No
Catch Up Contributions for those 50 or older in 2025	May be made up to \$7,500	May be made up to \$7,500	Cannot be made
Additional Catch Up Contributions for those 60-63 in 2025	May be made up to \$3,750	May be made up to \$3,750	Cannot be made
Subject to Taxation Upon Contribution	No	Yes	Yes
Subject to Taxation Upon Distribution	Yes	Contribution amount not subject to taxation; earnings are not subject to taxation provided that distribution is a “qualifying distribution”	Contribution amount not subject to taxation; earnings on contribution amount subject to taxation
Subject to early distribution penalty	Yes	Contribution amount not subject to early distribution penalty; earnings on contribution amounts subject to early distribution penalty	Contribution amount not subject to early distribution penalty; earnings on contribution amounts subject to early distribution penalty
Loans	Permitted	Permitted	Permitted

More information is available by logging on to your account at 401k.com. You can also call Fidelity for assistance at (800) 835-5095. This notice is intended to be a summary of material modification as required by the Employee Retirement Income Security Act, and is qualified, in its entirety, by the plan’s summary plan description.