WELCOME TO YOUR 401(k) PLAN SAVINGS GUIDE

Help make the most of your retirement savings by taking advantage of the features in the TVA Savings and Deferral Retirement Plan (401(k) Plan), including the Roth in-plan conversion feature.

I want to learn more about the 401(k) contribution types.

I want to learn more about the Roth in-plan conversion feature.

I want help maximizing my 401(k) contributions.

Pick your learning path or continue page by page to read the Guide start to finish.

Get to know your 401(k) contribution options

There are three ways you can contribute to the 401(k) Plan: pre-tax, Roth and after-tax contributions automatically deducted from your paycheck. Compare the contribution types below—including their tax treatments—for help deciding which contribution type(s) are right for you and your retirement savings goals.

	PRE-TAX CONTRIBUTIONS	ROTH CONTRIBUTIONS	AFTER-TAX CONTRIBUTIONS
Is this contribution type eligible for the TVA match?	Yes	Yes	Yes
Will I pay taxes on my contributions when I make them? (In other words, will the contributions deducted from my paycheck count as income, and therefore be subject to taxes at that time?)	No	Yes	
Will I pay taxes on contributions when I withdraw them?	Yes	No	
Will I pay taxes on investment earnings when I withdraw them?	Yes	No, as long as it is a qualified withdrawal*	Yes
What are the 2019 IRS contribution limits?	**$19,000** (**$25,000** if 50 or older) pre-tax and Roth combined**		Your total pre-tax, Roth, and after-tax 401(k) contributions, TVA contributions, and Fixed and Variable Funds contributions (if applicable) cannot exceed **$56,000** (**$62,000** if you're 50 or older)

*In general, Roth distributions are federally tax-free and penalty free when withdrawn at least five years from your first Roth contribution (or Roth in-plan conversion) and after you reach age 59 ½, or due to disability or death. Please see page 3 for more information.

**Your contributions may not exceed 100% of your year-to-date eligible compensation if less than the IRS limits.

A closer look at Roth: Is it right for you?

While Roth dollars are designed for anyone who likes the idea of tax-free retirement income,* in general, the younger you are when you start making Roth contributions, the more you may benefit.

However, you might also consider Roth contributions or a Roth in-plan conversion if you…

- **Want tax flexibility in retirement**
  Once you retire, your expenses may vary more year-to-year than they do today. Roth dollars can help you cover your expenses without increasing your taxable income for the year.

- **Think your annual pay or income tax rate will be higher in the future**
  If you expect your pay to rise over time—or if you simply think your tax rate will be higher in the future—consider Roth contributions or a Roth in-plan conversion and pay taxes upfront at your current rates.

- **Are not eligible to contribute to a Roth IRA**
  While income limits may prevent you from contributing to a Roth IRA, the 401(k) Plan doesn’t carry these limits. So if you’re not eligible to contribute to a Roth IRA but would like federally tax-free income in retirement,* converting your after-tax and/or pre-tax balances to Roth in the 401(k) Plan may help.

- **Interested in leaving tax-free money to your heirs**
  If you’re planning to leave your retirement savings to your beneficiaries, Roth dollars are free of federal income taxes.* The pros and cons are subtle and complex, however, so consult an attorney or estate planning expert before attempting to use your account as part of your estate plan.

*REMEMBER THE ROTH FIVE-YEAR RULE

In exchange for tax benefits, the IRS limits tax-free Roth withdrawals by requiring a five-year holding period. The five-year “clock” starts from your first Roth contribution (or Roth in-plan conversion). Once the five-year period is met, Roth withdrawals are federally tax-free and penalty free, assuming you're at least age 59½, or due to disability or death.

Before you convert or withdraw your money, talk to your financial or tax advisor, or call Fidelity at **800-354-7121** for one-on-one help.

Understanding Roth in-plan conversions

As of **April 1, 2019**, you're able to convert your eligible* **pre-tax** and **after-tax** contributions to Roth through a Roth in-plan conversion. This gives you the chance to build potentially tax-free retirement income ***beyond*** the pre-tax/Roth IRS contribution limit and can help you manage your taxes both now and in the future.

- **Once contributions are converted to Roth, you may withdraw those converted dollars—*including any related earnings*—federally tax-free in retirement,** as long as your withdrawal is taken at least five years from your first Roth contribution or conversion and after you reach age 59½, or due to disability or death. If your withdrawal doesn't meet these requirements, it will be taxed.
- **There's no fee to convert and no limit to how much you can convert.** However, if you're converting money that has not been taxed before, you must pay income taxes on your earnings and on any pre-tax contributions you convert to Roth.

How taxes are treated

- If you convert **pre-tax contributions**, you will owe taxes on your contributions, as well as any investment earnings that were generated before your conversion date. Income taxes are not withheld at the time of conversion.
- If you convert **after-tax contributions**, you will owe taxes on any investment earnings generated before your conversion date. Income taxes are not withheld at the time of conversion.

FILING YOUR TAXES

At tax time, you will receive a Form 1099-R from Fidelity showing the value of any Roth conversions you made during the previous year. You must report these amounts when you file your taxes, and pay any required tax on the investment earnings and, if any, pre-tax contributions.

A Roth in-plan conversion may increase your tax liability for the year of the conversion. You should determine whether you will need to increase your tax withholding during the year to avoid IRS underpayment penalties. Accordingly, before you convert your money, talk to your financial or tax advisor or call Fidelity at **800-354-7121** for one-on-one help.

*Rollovers, including transfers from the Cash Balance Plan, are ineligible for Roth in-plan conversions.

Electing a Roth in-plan conversion

You have two options for converting eligible contributions to Roth:

1 Enroll in automated conversions of any *future after-tax contributions*

This service provides a simple way to convert your **after-tax contributions** to Roth regularly. Every day, Fidelity checks its system for any new contributions made to your after-tax account, including any after-tax contributions made to a self-directed brokerage account. Once new contributions are posted to your account, they are immediately converted to your Roth account. This daily process can reduce your tax liability on each conversion because it eliminates the time the incoming money would be accruing taxable earnings. Once you elect this new service, there is no need for any further action from you unless you wish to discontinue future conversions.

Note: If you already have an after-tax balance, talk with a Fidelity representative about your conversion options for this balance before you start automated conversions of any future after-tax contributions.

2 Make one-time conversions of any *existing after-tax or pre-tax balances*

If the automated service for your future **after-tax contributions** is not right for you, or if you want to convert your existing eligible **after-tax or pre-tax balance**, you may request a Roth in-plan conversion at any time. This gives you the flexibility to decide when and how much to convert and also allows you to convert any money in your account not designated as Roth. There is no limit to the amount or number of times you may request a Roth in-plan conversion.

KEEP IN MIND

- Conversions are irreversible.
- Roth conversions are not included in the IRS contribution limits to the 401(k) Plan.
- Any money you convert to Roth will be broken out separately within your account on Fidelity NetBenefits®—it will not be combined with the contributions you make to the plan, but will still be part of your overall 401(k) Plan account balance.
- If you decide to convert, consider signing up for automated daily conversions, or making periodic one-time conversions of your new contributions since they will have less time to generate earnings.

To initiate an automated or one-time conversion, you must call Fidelity at **800-354-7121**. A Planning & Advice Professional will help answer questions and set up your conversion.

AN EXAMPLE:

The difference an automated Roth in-plan conversion can make

Meet Susan

Age: 35

Annual eligible compensation: $80,000

- Susan contributes up to the $19,000 pre-tax and/or Roth 401(k) contribution limit each year and is getting the full TVA matching contribution for which she is eligible.
- She chooses to contribute an additional 5% in after-tax contributions each year.
- She receives a hypothetical annual return of 6% each year. (Remember, any earnings on after-tax contributions are taxable.)

Compare the two scenarios below to see how converting her **after-tax** contributions to Roth in the 401(k) Plan could mean additional tax savings in the future.

	MAKING AFTER-TAX CONTRIBUTIONS ***WITHOUT*** A ROTH IN-PLAN CONVERSION	MAKING AFTER-TAX CONTRIBUTIONS ***WITH AUTOMATIC*** ROTH IN-PLAN CONVERSIONS
Annual after-tax contributions	5% of annual eligible earnings	5% of annual eligible earnings
Accumulated balance after 25 years (including earnings)	**$302,000**	**$302,000**
Taxes on after-tax *earnings* upon distribution	**$39,000** Since Susan did not convert her after-tax contributions, she will pay taxes on any earnings.	**None** Since Susan elected **automatic daily conversions**, her after-tax contributions are converted almost as soon as she makes them so any earnings have the chance to grow tax-free.*

By regularly making Roth in-plan conversions, Susan is able to generate an additional $39,000 in after-tax retirement savings.

This hypothetical example assumes a 6% annual rate of return, 2.5% salary increases, that no loans or withdrawals are made during the investment period and a tax rate of 25% at distribution. Distributions before age 59½ may also be subject to a 10% penalty. This example is for illustrative purposes only and does not represent the performance of any security. Consider your current and anticipated investment horizon when making an investment decision, as the illustration may not reflect this. The assumed rate of return used in this example is not guaranteed. Investments that have potential for 6% annual rate of return also come with the risk of loss. This example also reflects that taxes on any earnings will be due at the point of conversion to Roth.

*Taxes on any earnings will be due at the point of conversion but can be minimized through automatic daily Roth in-plan conversions.

Putting it all together to make the most of your contributions

Consider the steps below to help maximize your savings in the 401(k) Plan.

1. Get the full TVA match

Contribute at least 6% of your eligible pay to maximize the TVA match, otherwise it's like you're missing out on "free" money in your account. To learn more about the TVA contributions you're eligible to receive, go to **www.netbenefits.com/tva** and select "Plans and Investments."

2. Contribute up to the pre-tax and/or Roth contribution limit

Consider contributing up to the IRS limit for pre-tax and Roth contributions combined. In 2019, your Roth and/or pre-tax contributions are limited to $19,000, or $25,000 if you're 50 or older.

3. Make additional after-tax contributions

After you have maximized the pre-tax and/or Roth limit, consider making additional after-tax contributions up to the 2019 IRS limit of $56,000 ($62,000 if you're 50 or older) for employee and employer contributions combined. This total limit includes your 401(k) contributions (pre-tax, Roth, and after-tax), any TVA contributions (matching and/or non-elective contributions) and your Fixed and Variable Funds contributions (if applicable).

4. Convert your eligible contributions to Roth

To make the most out of your after-tax contributions, consider converting your after-tax contributions to Roth dollars to take advantage of Roth's extra tax benefits—withdrawing investment earnings tax-free.** The combination of contributing after-tax dollars *and*—if you choose—automatically converting to Roth can have the same effect as if you had made a Roth contribution to begin with; however, the amount is not capped by the same IRS limit of $19,000, therefore allowing for additional tax-advantaged savings.

PRE-TAX CONTRIBUTIONS
ROTH CONTRIBUTIONS

$19,000
($25,000 if 50+)
2019 combined pre-tax and Roth contributions limit

+

AFTER-TAX CONTRIBUTIONS
TVA CONTRIBUTIONS

$37,000*
Potential savings opportunity beyond the pre-tax and Roth contribution limit

TOTAL 2019 LIMIT FOR CONTRIBUTIONS FROM YOU AND TVA COMBINED

$56,000
($62,000 if 50+)

*The combined employee/employer contribution limit includes contributions to your Fixed and Variable Funds, if applicable. Your contributions to the TVA 401(k) Plan (on a pre-tax, Roth and after-tax basis), the Fixed and Variable Funds, and TVA matching and any employer automatic contributions may not exceed the lesser of $56,000 ($62,000 if 50+) in 2019 or 100% of your eligible compensation. Contribution limits are set by the IRS and may change from year to year.

**In general, Roth distributions are federally tax-free and penalty free when withdrawn at least five years from your first Roth contribution or Roth in-plan conversion and after you reach age 59 ½, or due to disability or death. Please see page 3 for more information.

Your next steps

1. Evaluate your options: Learn more about the 401(k) Plan

TALK ONE-ON-ONE WITH A FIDELITY REPRESENTATIVE FOR FREE TO:

- **Review** your personal financial situation
- **Help** you understand your contribution options
- **Explain** how Roth in-plan conversions work

Call **800-354-7121** and ask to speak with a Planning & Advice Professional or schedule an appointment at a location near you by going to **https://nb.fidelity.com/public/nb/tva/contactus/schedule-a-meeting**.

ACCESS TOOLS, CALCULATORS, VIDEOS AND MORE

Learn more about 401(k) Plan contributions and ways to help maximize your savings. Log in to **www.netbenefits.com/tva** and select the "Library" tab.

2. Take action: Consider taking these next steps

INCREASE YOUR CONTRIBUTIONS

- Try to contribute at least 6% to the 401(k) Plan to receive the full TVA match.
- Then, maximize your savings up to the pre-tax and/or Roth IRS limit—and if you can save even more—make additional after-tax contributions up to the combined employee/employer IRS contribution limit.

Log in to **www.netbenefits.com/tva** and select "Contribution Amount" from Quick Links next to the 401(k) Plan.

ELECT A ROTH IN-PLAN CONVERSION

Call a Fidelity representative at **800-354-7121** to initiate a Roth in-plan conversion.

Investing involves risk, including risk of loss.

Information contained within this document is subject to change.

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Fidelity Brokerage Services LLC, Member NYSE, **SIPC**, 900 Salem Street, Smithfield, RI, 02917
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