

GM to offer Roth 401(k) plan

New benefit program at GM, Delphi will allow diversified savings and limited tax liabilities.

Brett Clanton / The Detroit News
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General Motors Corp. and auto supplier Delphi Corp. will start offering a new benefit this summer that will allow workers to withdraw money on a tax-free basis in retirement.

The companies are among the first major U.S. employers to offer a so-called Roth 401(k) program, a new retirement plan Congress began allowing in January to encourage Americans to save more.

The plans could become more common as auto companies move away from traditional pension plans and ask employees to share more of the cost of preparing for retirement.

"What we see is a general trend of companies trying to be more flexible in the benefits they're offering," said Linda Burwell, partner at Nemeth Burwell PC, a Detroit legal firm with expertise in workplace issues.

Under a Roth 401(k), employees make contributions with after-tax dollars, which grow tax-free in an account over time. Then, once workers reach either age 59 1/2 or have had the account for at least five years, they can withdraw the money tax-free.

By contrast, a traditional 401(k) allows workers to contribute pre-tax dollars, thereby lowering the income they're taxed on each year. But they pay taxes on the money when they take it out.

GM and Delphi will offer a Roth 401(k) as an option alongside their existing 401(k) plans and other employee-directed savings plans.

"It's purely on an up-to-you basis" if employees want to join, GM spokesman Robert Herta said.

High-income earners could benefit most from the program because it allows them to diversify savings and limit tax liabilities associated with being in higher income brackets.

The benefit will be available to about 141,000 GM workers and 37,000 at Delphi, who will be notified of the perk in the coming weeks before it is added in July.

GM and Delphi hourly workers represented by the United Auto Workers union will have access to the plan through their 2003 collective bargaining agreements, which made provisions for the program, said UAW spokesman Paul Krell.

Other Detroit automakers said they have no plans to add Roth 401(k) programs.

"It's our feeling that we already offer a broad range of good opportunities for savings for our employees," said Dave Elshoff, spokesman for DaimlerChrysler AG's Chrysler Group.

"If we were going to have a new savings plan, we would let our employees know about it first," said Tom Hoyt, a Ford Motor Co. spokesman.

In late 2005, 34 percent of 223 large employers surveyed said they were likely to add Roth 401(k) plans to their employee retirement options this year, according to Hewitt Associates.

But a major corporation like GM could spur others to adopt plans more quickly.

"Nobody the size of GM has done it yet," said David Kudla, CEO of Mainstay Capital Management LLC in Grand Blanc.

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