

“In The News” On the GM and Delphi Roth 401(k)

On July 1, 2006 General Motors Corporation and Delphi Corporation will introduce a Roth 401(k). The Roth feature within a 401(k) plan allows employees to “tax diversify” their income sources for retirement. Employees have the flexibility to direct contributions among both types of 401(k) accounts as their current and future tax situation dictates. Additionally, for those GM and Delphi employees who are ineligible for a Roth IRA, a Roth 401(k) provides an opportunity to build a tax-free retirement income source.

We applaud GM and Delphi for taking advantage of the provision in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) that allows companies to offer a Roth 401(k) to employees. Some excerpts from the media with our perspective on GM and Delphi’s initiative follow:

“Workers offered Roth 401(k)s,” Kathy Chu, **USA TODAY**, February 27, 2006

“One challenge companies face is educating employees about why it’s wise to invest in a Roth 401(k). A key reason is to diversify not only their investments but the tax treatment of those assets,” says David Kudla of Mainstay Capital Management...

“Thinking about a Roth 401(k) now might just save a lot later,” Todd Seibt, **The Flint Journal**, February 27, 2006

David Kudla of Mainstay Capital Management in Grand Blanc is expecting interest in Roth 401(k)s to start gaining steam. Kudla independently advises General Motors and Delphi Corp. workers about their 401(k) balances and other investment issues.

He thinks more companies might soon be adding the Roth 401(k) option to their benefits packages. And yes, he thinks that will include GM and Delphi...

... there are a number of reasons for hourly or salaried workers to consider adding a Roth 401(k) to their array of retirement assets, Kudla says. “It allows employees to what we call ‘tax diversify’ their income sources for retirement,” Kudla said. “What we mean by that is, employees will have the flexibility to go into both types of accounts.”

Tax diversification through a Roth vehicle – IRA or 401(k) – is important for a couple reasons, Kudla said... the best thing to do, he said, is educate yourself now about Roth 401(k)s.

“GM to offer Roth 401(k) plan,” Brett Clanton, **The Detroit News**, February 28, 2006

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

“GM and Delphi to add 401(k) options,” Derek R. Smith, **Kokomo Tribune**, March 2, 2006

Beginning July 1, all eligible hourly and salaried GM and Delphi employees will have the opportunity to participate, according to Mainstay Capital Management LLC of Grand Blanc, Michigan.

Mainstay says the Roth feature allows employees to “tax diversify” their retirement income sources by providing the flexibility to put contributions in both types of 401(k) accounts. In addition, the Roth 401(k) gives employees who are ineligible for a Roth IRA an opportunity to build a tax-free retirement.

Questions on the GM and Delphi 401(k) plan can be directed to Mainstay at (866) 444-6246 or Roth401k@mainstaycapital.com.