Introducing a New Roth 401(k) Option for Starbucks Partners

Roth Contributions
As part of our ongoing commitment to provide benefits that are relevant and meaningful to partners, Starbucks will offer a new Roth contribution option to the Future Roast 401(k) Savings Plan starting October 1, 2012. With the addition of this Roth 401(k) feature, you will have another choice for your retirement savings.

To help you make informed decisions regarding the Roth 401(k) contribution feature including withdrawal and tax implications, we have included Questions & Answers below.

When can I elect to make Roth 401(k) contributions for 2012?
Eligible partners may elect to make Roth 401(k) contributions beginning Monday, September 24, 2012. You may make new payroll elections or changes to your 401(k) pre-tax and/or Roth 401(k) contributions at any time. Changes are effective as soon as administratively possible following completion of your elections, usually within two pay periods.

Log on to NetBenefits at netbenefits.fidelity.com, and click on "Future Roast 401(k)". Then on the left navigation bar, click on "Contribution Amount" under "Act" to elect and/or change your contribution percentages. You may also contact a Fidelity Retirement Services Representative at (866) 697-1048 Monday through Friday from 5:30 a.m. to 9 p.m. Pacific Time for more information.

How do Roth 401(k) contributions differ from traditional 401(k) contributions?
With a Roth 401(k) feature, you can designate all or a portion of your future deferral contributions as "Roth contributions." Traditional 401(k) contributions are made on a pre-tax basis and are not included in current taxable income. The pre-tax contributions and any earnings will be subject to income taxes when withdrawn.

In contrast, Roth 401(k) contributions are made on an *after-tax basis* and are included in current taxable income. Earnings are tax free if they are part of a "qualified distribution." A qualified distribution is one that is taken after you have had a Roth 401(k) account in the Plan for at least five years (January 1 of the year your first Roth 401(k) contribution was made to the Roth 401(k) account and after you have 1) reached age 59 ½ 2) become disabled or 3) died .

Also, while amounts held in your Plan accounts must be paid out during your lifetime (generally starting after age 70 ½), if you roll your *Roth 401(k)* account out of the Plan and into a *Roth IRA* prior to that time, you will not be required to take distributions from your *Roth IRA* during your lifetime. This means that your Roth amounts including any earnings can continue to be tax free and distributions from the Roth IRA can be postponed until after your death.

How may Roth 401(k) contributions affect your paycheck?
Just like a traditional 401(k) pre-tax contribution, you elect a percentage of your salary that you wish to contribute to the Roth source within your existing plan. However, *unlike* your traditional 401(k) contribution, you pay income taxes up front on the Roth contribution. Therefore, your take home pay will be less if you are making Roth contributions than it would be if you were making traditional pre-tax contributions.

Hypothetical example:

Assume eligible gross compensation is $60,000 per year or $5,000 per month with a 25% federal income tax withholding rate

	Pre-Tax contributions	Roth after-tax contributions
Contribution	10%	10%
Compensation	$60,000	$60,000
Less: Annual pre-tax contribution	($6,000)	$0
Taxable Income	$54,000	$60,000
Less: income taxes (25%)	($13,500)	($15,000)
Less: Roth after-tax contribution	$0	($6,000)
Net after-tax (take home pay)	**$40,500**	**$39,000**
Difference in take home pay for the year is:		**($1,500)**

This hypothetical example is for illustrative purposes only. It shows the potential impact on take- home pay assuming a pre-tax or Roth after-tax annual contribution of $6,000 based solely on an assumed 25% federal income tax withholding rate. Actual taxes and take home pay will depend on your individual tax situation. No other payroll deductions (such as Social Security taxes) are taken into account. Pre-tax contributions and any related earnings will be subject to income tax at the time of withdrawal. Any earnings on after-tax Roth contributions are tax-free if certain conditions are met.

Can I make traditional pre-tax 401(k) contributions and after-tax Roth contributions?

Yes. You may make 401(k) contributions to both the traditional pre-tax and Roth after-tax option as long as you do not exceed the total IRS contribution limit for that year. In 2012, the combined IRS contribution limit for Roth and traditional pre-tax contributions if you are under age 50 is $17,000. If you will be age 50 or older in 2012, the combined IRS contribution limit for Roth and traditional pre-tax contributions is $22,500.

The 2013 IRS limits will be announced in November 2012 and will be communicated to you at that time.

Are there eligibility restrictions on contributing to a Roth 401(k) option?

No, if you are eligible to make traditional pre-tax contributions to the Plan (Starbucks partners on the U.S. payroll, at least age 18 with 90 days of service), you are eligible to make after-tax Roth 401(k) contributions. In addition, unlike a Roth IRA, the Roth 401(k) contributions to the Plan are not subject to restrictions based on your adjusted gross income.

How do I know if a Roth 401(k) option makes sense for me?

Generally, if you expect to be in the same tax bracket in retirement as you are today, a traditional, pre-tax or a Roth 401(k) contribution are roughly equivalent from a tax perspective. If you expect to be in a higher tax bracket in retirement, a Roth 401(k) may be the better choice since you will not pay taxes on qualified distributions of earnings. If you expect to be in a lower tax bracket in retirement, then a traditional pre-tax contribution may make more sense for you.

Whether to contribute to the Roth 401(k) option depends on your own personal situation and many factors should be taken into account. Due to the differing tax implications associated with traditional pre-tax 401(k) versus Roth 401(k) after-tax contributions, and the potential impact they may have on your current adjusted gross income, which may affect your eligibility for other tax credits and benefits, you may wish to consult with a tax or financial advisor regarding your individual situation. You should also consider whether accumulating assets in a Roth 401(k) account now (which could later be rolled into a Roth IRA prior to age 70 ½ so that distributions could be postponed until your death) makes sense for your estate plan.

Can a Roth IRA and/or a Roth 401(k) account from a previous employer's qualified plan be rolled into the Future Roast 401(k) Savings Plan?

If you have a Roth 401(k) account with a previous employer's qualified retirement plan, you may make a direct rollover of the balance in that account into the Future Roast 401(k) Savings Plan. You may also directly roll over account balances from a Roth 403(b) and 457 annuity plan into the Future Roast 401(k) Savings Plan.

Current tax laws prevent you from rolling over amounts held in a Roth IRA into the Future Roast 401(k) Savings Plan.

When can I take a tax-free distribution from my Roth 401(k)?

A qualified distribution from a Roth 401(k) account is not subject to federal income taxes or penalties upon withdrawal. A qualified distribution is one that is taken after you have had a Roth 401(k) account in the Plan for at least five years (counting from January 1 of the year your first Roth 401(k) contribution was made to the Roth 401(k) account) **and** after you reach age 59 ½, become disabled or die.

You may wish to consult with a personal tax advisor before making Roth 401(k) contributions. If you need information about how to begin making Roth 401(k) contributions, contact Fidelity Investments at (866) 697-1048 or (800) 587-5282 for a Spanish speaking representative, Monday through Friday from 5:30 a.m. to 9 p.m. Pacific Time. You may also log on to NetBenefits at netbenefits.fidelity.com, and click on "Future Roast 401(k)". Then on the left navigation bar, click on "Contribution Amount" under "Act" to elect and/or change your deferral percents.

The information provided is only a summary of the Future Roast 401(k) Plan provisions. Every effort has been made to communicate this benefit information clearly and in easily understandable terms. If there is any discrepancy between the information set forth here and in the legal plan and trust documents, the terms of the legal plan and trust documents always govern. Starbucks intends to continue the Future Roast 401(k) Plan indefinitely, but must reserve the right to amend or terminate the Plan at any time and for any reason. For additional information, you may also review the Future Roast 401(k) Summary Plan Description and current Summaries of Material Modifications.

The tax information contained herein is general in nature, is provided for informational purposes only, and should not be construed as legal or tax advice. Fidelity does not provide legal or tax advice. Laws of a particular state or laws which may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of such information. Always consult an attorney or tax professional regarding your specific legal or tax situation.

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