



TRADITIONAL VS. ROTH WHICH ONE IS RIGHT FOR YOU?

We offer two retirement account options to help you save for retirement—the Traditional 401(k) and Roth 401(k). Each has different advantages that can help you achieve your goals and reach financial security in retirement.

Pay the IRS Now or Later¹

The basic difference between a traditional and Roth 401(k) is when you pay taxes. In a traditional 401(k), you contribute pre-tax funds to the account and pay taxes when you withdraw the funds in retirement. In a Roth 401(k), the opposite is true—you contribute after-tax funds but then do not pay taxes on the funds once you retire.

	Traditional	Roth
Pre-Tax or After-Tax Contributions	Pre-tax	After-tax
IRS Contribution Limit	\$19,500 ²	\$19,500 ²
Taxation of Withdrawals	Yes , withdrawals are subject to state and federal income taxes	No , provided it is: 1) a qualified distribution, 2) you've held the account for at least five years and 3) the withdrawal is made due to a disability, on or after your death or once you turn age 59 1/2
Required Distributions	No later than age 72	No later than age 72
Rollovers	Can be converted to a traditional IRA with no tax payment or Roth IRA with tax payment	May be rolled over to a Roth IRA with no tax payment

HOW TO DECIDE

It all comes down to which one offers the greatest tax advantage for your situation. On the one hand, a traditional 401(k) allows you to save pre-tax funds and let those funds grow tax-free. On the other hand, you won't have to worry about paying taxes on your Roth 401(k) once you retire. And if you can't decide, you may be able to contribute to both!

Ask yourself the following questions, and consult with a tax advisor for additional help:

- Do I expect to retire at a higher or lower income tax bracket?
- Can I afford to reduce my current take-home pay?
- Do I expect to retire soon?

1. Source: <https://www.irs.gov/retirement-plans/roth-comparison-chart>
 2. You may be able to split your contributions between a traditional and Roth 401(k). However, your combined contributions cannot go over the annual contribution limit.

