

Your Contributions: Traditional vs. Roth



Your retirement plan offers an exciting feature that can better help you plan for retirement. This feature is called “Roth” and it allows you to make the decision whether to pay taxes today or at retirement.

This feature does not change how much you can contribute, does not impact the company contribution, and does not change where you can invest. What it really does is give you more flexibility over when your contributions—and retirement income—will be taxed.

GENERAL CONSIDERATIONS...

Do You Need More Money In Your Paycheck Right Now?

Consider *Traditional*... you pay taxes later [which is how you are currently saving in the 401(k) Plan]

- Your contributions to the plan are made PRE-TAX, which means you are not paying any federal or state taxes on your money going into the Plan, leaving more money in your paycheck
- Your investment earnings grow on a TAX-DEFERRED basis
- At retirement, or when the money is withdrawn, you pay the applicable income taxes

Do You Think You Will Be In A Higher Tax Bracket In Retirement?

Consider *Roth*... you get the taxes out of the way now

- Your contributions to the plan are made AFTER-TAX, which means you are subject to the applicable federal and state income taxes on your money prior to deposit in to the Plan
- Your investment earnings grow TAX-FREE
- At retirement, you are able to withdraw your money tax free as long as qualifying conditions are met

Are You A High-Income Earner Unable to Take Advantage of a Roth IRA?

Consider *Roth*... all income levels are eligible under a company-sponsored retirement plan

There are many considerations that you should evaluate before electing the Roth feature. Under the theme of *diversification*, this is a strategy that you should take the time to review. You may wish to consult your tax advisor prior to making this decision.

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	TRADITIONAL 401(k)/403(b)	ROTH 401(k)/403(b)	ROTH IRA
CONTRIBUTIONS			
Earnings limitations	None	None	Yes
Annual contribution limit	\$19,500*	\$19,500*	\$6,000
Catch-up contribution (if age 50 or older)	\$6,500*	\$6,500*	\$1,000
Tax status of contribution	Pre-tax; reduce current taxable income	After-tax; does not impact current taxable income	After-tax; does not impact current taxable income
Vesting	100%	100%	Not applicable
Eligible for employer match (if applicable)	Yes, if applicable	Yes, if applicable	Not applicable
Investment growth	Tax-deferred	Tax-free**	Tax-free***
DISTRIBUTIONS			
Distribution taxation	Taxable	Tax-free**	Tax-free***
Restrictions	Hardship, death, disability or termination	Hardship, death, disability or termination	None
Required Minimum (at age 72 and older)	Required	Required	Not required

*This maximum limit applies to the total of all Traditional and Roth contributions to any qualified retirement plan

**Tax-free if distributed after five years and attaining age 59 ^{1/2}, becoming disabled or death

***Tax-free if distributed after five years and attaining age 59 ^{1/2}, becoming disabled, death or for first-time home purchase