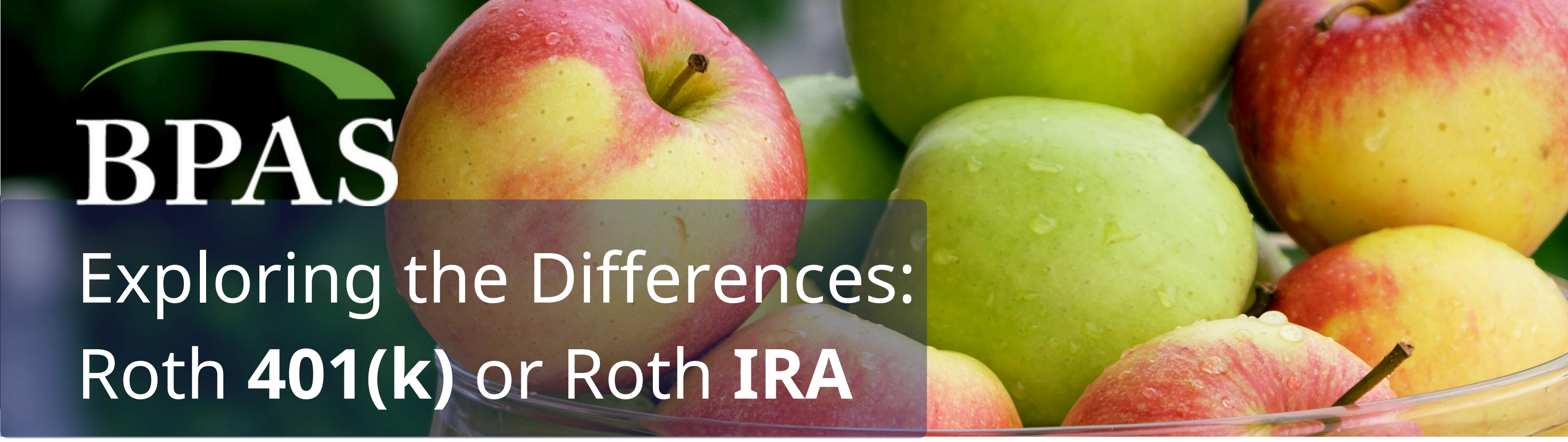

BPAS

Exploring the Differences: Roth **401(k)** or Roth **IRA**

The tax treatment of Roth accounts are the same, whether in an Employer Sponsored Retirement Plan, such as a 401(k) or a 403(b), or an Individual Retirement Account (IRA), *but* there are some key differences...

Income Restrictions

- To contribute to a Roth IRA in 2025, your modified adjusted gross income cannot exceed $165,000 for a single filer, or $246,000 for a married couple filing jointly.
- To contribute to a Roth 401(k), there are no income restrictions. You can contribute to your Roth 401(k) regardless of your income level.

Contribution Limits

- Each year, the IRS announces the cost-of-living adjustments for all retirement accounts.
    - For 2025, you can contribute up to $7,000 to a Roth IRA, and an additional $1,000 if you are age 50 or older.
    - For a Roth 401(k), the limits are significantly higher. In 2025, you can contribute up to $23,500, and an additional $7,500 if you are age 50 or older.

Distributions/Withdrawals

- You may take withdrawals from your Roth 401(k) based upon your Plan's Summary Plan Description. Typically, this is upon separation of service, although some plans permit in-service distributions for participants aged 59.5 or older.
- Withdrawals from your Roth IRA may occur at any time.
- Keep in mind that distributions from your Roth account are 100% tax free if you are age 59.5 or older and have had the account open for at least 5 years. Withdrawals prior to that may be subject to taxation.

Can you contribute to both?

Yes! If you meet eligibility requirements, you can contribute to a Roth 401(k) and a Roth IRA in the same year. Talk to your financial advisor and/or accountant to determine the best strategy for you.

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