



Traditional vs. Roth 401(k) Contributions

Traditional and **Roth 401(k) contributions** are both great ways to save for retirement. However, there are a few key differences to keep in mind when deciding which type of contribution or mix of the two of makes the most sense for you.

Traditional 401(k)

- Contributions to a Traditional 401(k) are made with pre-tax dollars, which can reduce your taxable income for the year, potentially lowering your overall tax bill.
- Funds grow tax-deferred, meaning you won't pay taxes on any earnings until you withdraw the money during retirement.
- When you take a distribution, or withdrawal, from a pre-tax retirement account, the amount of the distribution is considered ordinary income and is subject to taxes.
- You're required to withdraw a certain amount from your 401(k) each year, and those withdrawals are taxed as income. These Required Minimum Distributions (RMDs) must begin once you reach age 73.

Roth 401(k)

- Roth contributions are made with after-tax dollars, allowing the earnings to grow tax-free over time. However, this means that you must pay current income tax on the amount you contribute to your Roth 401(k).
- When you take a distribution, or withdrawal, from a Roth 401(k), as long as you satisfy certain distribution conditions, the entire distribution can be tax-free, not just tax- postponed.
- Required Minimum Distributions (RMDs) are not required during the lifetime of the original account holder, allowing your savings to continue growing tax-free.



When deciding between Traditional and Roth 401(k) contributions, consider factors like your current tax rate, expected tax rate in retirement, and your ultimate retirement goals to determine which option is best for you.



Exploring The Differences



Traditional

Roth

Funds grow
tax deferred

Taxes

Funds grow
tax free

Pre-tax dollars

Contributions

Post-tax dollars

Considered ordinary
income and
subject to taxes

Withdrawals

Penalty free and
tax free after
age 59 1/2, as long as
account has been open
for at least 5 years

**Required Minimum
Distribution (RMD)**
upon reaching age 73

Both options help your money grow; they're simply taxed differently.
With compound interest working in your favor, no matter which option you choose,
every contribution builds momentum toward a more secure retirement.



Traditional vs. Roth 403(b) Contributions

Traditional and Roth 403(b) contributions are both great ways to save for retirement. However, there are a few key differences to keep in mind when deciding which type of contribution or mix of the two of makes the most sense for you.

Traditional 403(b)

- Contributions to a Traditional 403(b) are made with pre-tax dollars, which can reduce your taxable income for the year, potentially lowering your overall tax bill.
- Funds grow tax-deferred, meaning you won't pay taxes on any earnings until you withdraw the money during retirement.
- When you take a distribution, or withdrawal, from a pre-tax retirement account, the amount of the distribution is considered ordinary income and is subject to taxes.
- You're required to withdraw a certain amount from your 403(b) each year, and those withdrawals are taxed as income. These Required Minimum Distributions (RMDs) must begin once you reach age 73.

Roth 403(b)

- Roth contributions are made with after-tax dollars, allowing the earnings to grow tax-free over time. However, this means that you must pay current income tax on the amount you contribute to your Roth 403(b).
- When you take a distribution, or withdrawal, from a Roth 403(b), as long as you satisfy certain distribution conditions, the entire distribution can be tax-free, not just tax- postponed.
- Required Minimum Distributions (RMDs) are not required during the lifetime of the original account holder, allowing your savings to continue growing tax-free.



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Withdrawals

Penalty free and
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**Required Minimum
Distribution (RMD)**
upon reaching age 73

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