ROTH VS. TRADITIONAL IRAs



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No matter what stage of life you're in, it's never too soon to start planning for retirement. The small decisions you make today can have a big impact on your future. While you might already be invested in your employer-sponsored plan, an Individual Retirement Account (IRA) allows you to save for your retirement on the side, and potentially save on taxes.

There are different types of IRAs with different rules and benefits. With a Roth IRA, you contribute after tax dollars, your money grows tax-free, and you can generally make tax- and penalty-free withdrawals after you hit the age 59 1/2. With a Traditional IRA, you contribute pre-or after-tax dollars, your money grows tax-deferred, and withdrawals are taxed as current income after you hit the age 59 1/2.

The following info-graphic will help breakdown the other main differences you need to know between a Roth and Traditional IRA and highlight their benefits to help you determine which option is right for your specific retirement goals.

Roth

VS

Traditional

A Roth IRA allows you to make after-tax contributions.

BEST SUITED FOR:

An individual who expects to be in a **higher tax bracket** when they start taking withdrawals.



A Traditional IRA may allow you to make pre-tax contributions.

BEST SUITED FOR:

An individual who expects to be in **the same or a lower tax bracket** when they start taking withdrawals.

CONTRIBUTIONS GROW:

Tax-Free

TAX DEDUCTIBILITY:

No, gives you no current-year tax benefits.



CONTRIBUTIONS GROW:

Tax-deferred

TAX DEDUCTIBILITY:

Yes, gives you immediate tax benefits (subject to income limitations for participants in employer-sponsored plans)

CONTRIBUTIONS COME FROM:

After-tax dollars

CONTRIBUTION ELIGIBILITY:

Those with earned income below a certain level

CONTRIBUTION AGE RESTRICTION:

None

Contributions

CONTRIBUTIONS COME FROM:

Pre- or after-tax dollars

CONTRIBUTION ELIGIBILITY:

Anyone with earned income

CONTRIBUTION AGE RESTRICTION:

None

PENAITIES

Penalty- and tax-free after 5 years and age 59 1/2

MANDATORY DISTRIBUTIONS:

None

Withdrawals

PENALTIES:

Penalty-free but taxed as current income after 59 1/2

MANDATORY DISTRIBUTIONS:

After age 73

AMOUNT YOU CAN CONTRIBUTE

Can't exceed the amount of income you earned that year, or the IRS-imposed limits and could be reduced - or even eliminated - based on your modified adjusted gross income (MAGI)

Impact of Income

AMOUNT YOU CAN CONTRIBUTE

Can't exceed the amount of income you earned that year, or exceed the IRS-imposed limits

Enjoy tax-free withdrawals in the future

Key Difference

Take advantage of tax benefits today

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