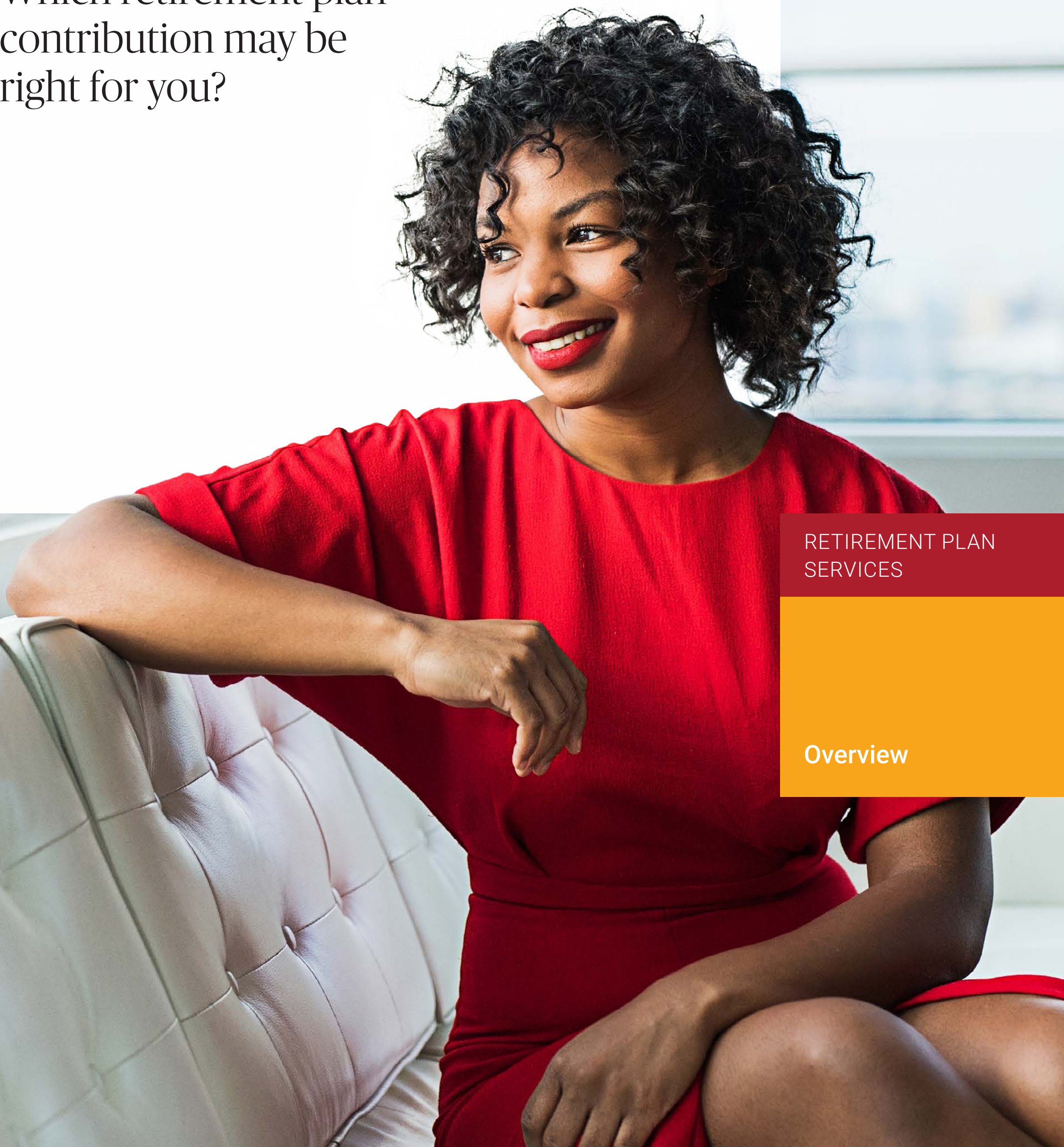
Traditional or roth

Which retirement plan contribution may be right for you?



RETIREMENT PLAN SERVICES

Overview

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Should you pay taxes now or later?

If your retirement plan offers both traditional (pretax) and Roth contributions, you have two ways to save for retirement. Traditional contributions give you a tax break right away, while Roth contributions provide tax advantages later. Understanding the difference can help you make confident, informed decisions for your future.

Traditional: Pay taxes later	Roth: Pay taxes now
Take home **more pay** today in exchange for paying taxes on your account when you retire.	Take home **less pay** today in exchange for not having to pay taxes on your account when you retire.
Pretax: **Pay no taxes now** on the money you invest, which lowers your taxable income right away.	After-tax: **Pay taxes now** on the money you invest so you can enjoy a tax break later.
You may pay a penalty if you begin withdrawing money before age 59½.	You may pay a penalty if you begin withdrawing money before age 59½. **You can't withdraw funds until they've been in your account for five years.**
In retirement, you'll pay taxes on the money you invested — and on the earnings. Required minimum distributions that start at age 72 apply to these assets.	**In retirement, you won't pay taxes** on the money you invested — or on the earnings. Required minimum distributions that start at age 72 apply to these assets unless they're rolled into a Roth IRA.

If your employer matches your Roth contributions, the employer match is considered a traditional contribution. You'll have to pay taxes on that portion when it's withdrawn during retirement.

Take a look at two types of savers:

Traditional contributions are typically better if you expect your marginal tax rate to decrease in retirement.

Alex expects his taxes to be lower in retirement than they are now. The expected lower tax rate may make a traditional contribution more attractive for him — now and in the future.

The traditional option may be right for you if…

- You expect your taxes to be lower in retirement than they are today. You may save by lowering your taxable income now and paying taxes on your savings after you retire.
- You'd rather increase your take-home pay. Making contributions to a traditional plan reduces your current taxable income, and you pay taxes later on both your contributions and your earnings.

Roth contributions are typically better if you expect your marginal tax rate to increase in retirement.

Margo expects her taxes to be higher in retirement than they are now. If she can afford to pay the taxes today, she may be able to build an after-tax nest egg by choosing the Roth option.

The Roth option may be right for you if…

- You expect your taxes to be higher in retirement than they are today. You may save by paying a lower tax rate on your savings now.
- You have many years to accumulate savings before retirement. You'll pay taxes on what you put in today, but you won't pay taxes on the earnings, which have the opportunity to add up over your working years.
- You'd rather pay taxes now than later. If you're in your peak earning years, you may be able to afford to pay more taxes now.

Still undecided?

Everyone's situation is different, and many factors can affect whether traditional or Roth contributions are right for you. To learn more, talk with your retirement plan representative.

Other considerations

Can I contribute to both?

Not sure which type of contribution is right for you? Your plan may allow you to make both traditional and Roth contributions. Diversifying the timing of your tax payments between now and the future may help you balance the effects, no matter what happens later.

What if I leave my job?

If you leave your employer, you can roll your traditional retirement plan account into an IRA and your Roth account into a Roth IRA. You also may have the option of rolling your account into your next employer's retirement plan. Consider the pros and cons of each before deciding what's right for you.

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