



Workplace retirement plans often allow you to choose between making contributions on a **Traditional (pre-tax)** basis or a **Roth (after-tax)** basis. Understanding the differences can help you see how each one works.

**Important:** This guide is for educational purposes only. It is not investment, tax, or legal advice. Please consult a licensed professional for personalized guidance.

## Key Differences

### When Contributions Are Made

- **Traditional:**

Pre-tax contributions, which may reduce taxable income today.

- **Roth:**

After-tax contributions, no immediate tax alongside other savings and income sources.

### When Withdrawals Are Taxed

- **Traditional:**

Withdrawals in retirement are taxed as ordinary income.

- **Roth:**

Qualified withdrawals in retirement may be tax-free.

### Impact on Current Taxes

- **Traditional:** May lower your taxable income in the year contributions are made.

- **Roth:** No current tax benefit since contributions are after-tax.

### Impact on Future Taxes

- **Traditional:**

Future withdrawals may be higher or lower depending on your tax rate in retirement.

- **Roth:**

If qualified, withdrawals are tax-free. This may benefit participants who expect higher taxes later.

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**Qualified withdrawals in retirement may be tax-free.**

### Eligibility

- **Traditional:**

Available to all participants regardless of income level.

- **Roth:** Available to all participants regardless of income level (different from Roth IRAs, which have income limits).

## Required Minimum Distributions (RMDs)

### What Are RMDs?

- RMDs are the minimum amounts that must be withdrawn from certain retirement accounts each year once you reach a specific age.
- They exist because the IRS requires tax-deferred savings to eventually be taxed.

### When They Begin

- As of current law, RMDs begin at **age 73** (for individuals who reach that age after January 1, 2023).
- If you are still working and your plan allows, you may be able to delay RMDs from your current employer's plan until retirement.

### How They're Calculated

- RMDs are based on your account balance at the end of the prior year and your life expectancy (according to IRS tables).
- Each year, the required percentage you must withdraw increases slightly as you age.

### Impact on Traditional Accounts

- Traditional 401(k), 403(b), and IRA balances are always subject to RMDs.
- The withdrawals are taxed as ordinary income.
- Failing to take RMDs can result in significant IRS penalties on the amount not withdrawn.

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**Traditional 401(k), 403(b), and IRA balances are always subject to RMDs.**

### Impact on Roth Accounts

- Roth 401(k) and Roth 403(b) balances are also subject to RMDs during your lifetime.
- However, distributions are generally tax-free if rules are met.
- Rolling Roth assets into a **Roth IRA** before RMDs begin can eliminate RMD requirements entirely, since Roth IRAs do not require RMDs during the owner's lifetime.

### Key Takeaways

- RMDs are about timing: eventually, the government requires withdrawals.
- Traditional contributions = taxable RMDs starting at age 73.
- Roth contributions = RMDs apply in workplace plans, but not in Roth IRAs.

## Best Suited For (General Considerations)

- **Traditional:**

May appeal to those who expect a lower tax rate in retirement.

- **Roth:**

May appeal to those who expect higher taxes later, want tax-free retirement income, or want to avoid taxable RMDs by rolling into a Roth IRA.

**Traditional contributions =  
taxable RMDs starting at age 73.**



## Final Thoughts

Both Roth and Traditional contributions can play an important role in retirement planning. Some participants even choose to split contributions between the two. The right mix depends on your personal circumstances, including your income today, your expectations about future tax rates, and your retirement goals.

## Disclosure:

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# **Roth vs. Traditional Contributions: Comparison Guide**

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