STRIDE ADVISORS
certified public accountants

What's so great about Roth?

A Valuable Retirement Savings Option

With traditional before-tax contributions, you would owe ordinary income tax on the money you withdraw after age 59 ½.

Roth is different—you pay taxes on the contributions and withdrawals of Roth dollars are tax-free, provided that you meet two conditions: You must be at least age 59 ½, and it must be at least five years since your first Roth contribution or conversion.

This tax-free difference is helpful with retirement planning, because 100% of your Roth account balance will be yours to spend in retirement.

Flexible Contributions

If you anticipate that your income tax rate will be higher in the future, you'd be giving yourself a tax break by making Roth contributions today. You'd be paying at a lower tax rate today than you would have to pay on withdrawals later.

Of course, it's hard to be certain what your tax rate might be in retirement. So you may want to consider pursuing a strategy of tax diversification—holding both before-tax and Roth funds in your Plan. Whatever you decide, it would be wise to discuss your options with a tax professional before taking action.

Traditional Vs. Roth

When is Roth Worth Considering?

- Currently subject to a lower tax bracket
- If your taxes are expected to be higher in retirement
- If your Primary consideration is a legacy

Two ways to add Roth to your Plan

1. Make Roth contributions. You can simply switch some or all of your ongoing Plan contributions from before-tax to Roth 401(k). Roth contributions to the Plan are made with after-tax money, so expect to see your take-home pay drop a bit if you add Roth contributions.

2. Make a Roth in-plan conversion. You may have already accumulated a significant amount of before-tax money and/or after-tax earnings in the 401(k) Plan. An in-plan conversion allows you to convert your money in the 401(k) Plan to Roth. You can choose to convert all or a portion of your Plan balance to Roth, but be aware that there can be important tax considerations.

How Roth in-plan Convesions Work

When you convert before-tax money or after-tax earnings to Roth, you pay the income tax you would have owed on the converted money as if you had withdrawn it that year. 10% penalty tax on early withdrawals.

Once the money has been converted to Roth, it stays in the Plan and any earnings that accumulate grow tax-free. When you retire, you can withdraw the money tax-free.

Decisive steps…beyond the numbers

1300 Greenbrook Blvd
Hanover Park, IL 60133
630.855.5100
strideadvisors.com
info@strideadvisors.com