



WEBINAR SERIES

Traditional vs. Roth What's the Difference?

*The material in this presentation is being provided for educational purposes only. It should not be construed as providing legal, investment, or tax advice and is not designed to be complete in all material respects.



Meet Our Team

Amber Reynolds

Slavic401k Retirement Plan Advisor

Jeff Dickerson

Slavic401k Vice President,
Retirement Plan Representatives





401(k) Plans Are Special Because of Taxes...

They may offer special tax advantages that you can't get from all other investment options.



Traditional and Roth 401(k) both have tax advantages, but they work differently from one another.



Traditional

VS

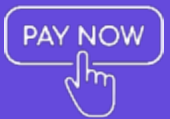
Roth



401(k) contributions go in **BEFORE** you pay income tax.



Investments grow tax-deferred.



The entire 401(k) savings are fully taxed upon withdraw based on your taxable income bracket that year.



401(k) contributions go in **AFTER** you pay income tax.



Investments have tax-free growth.

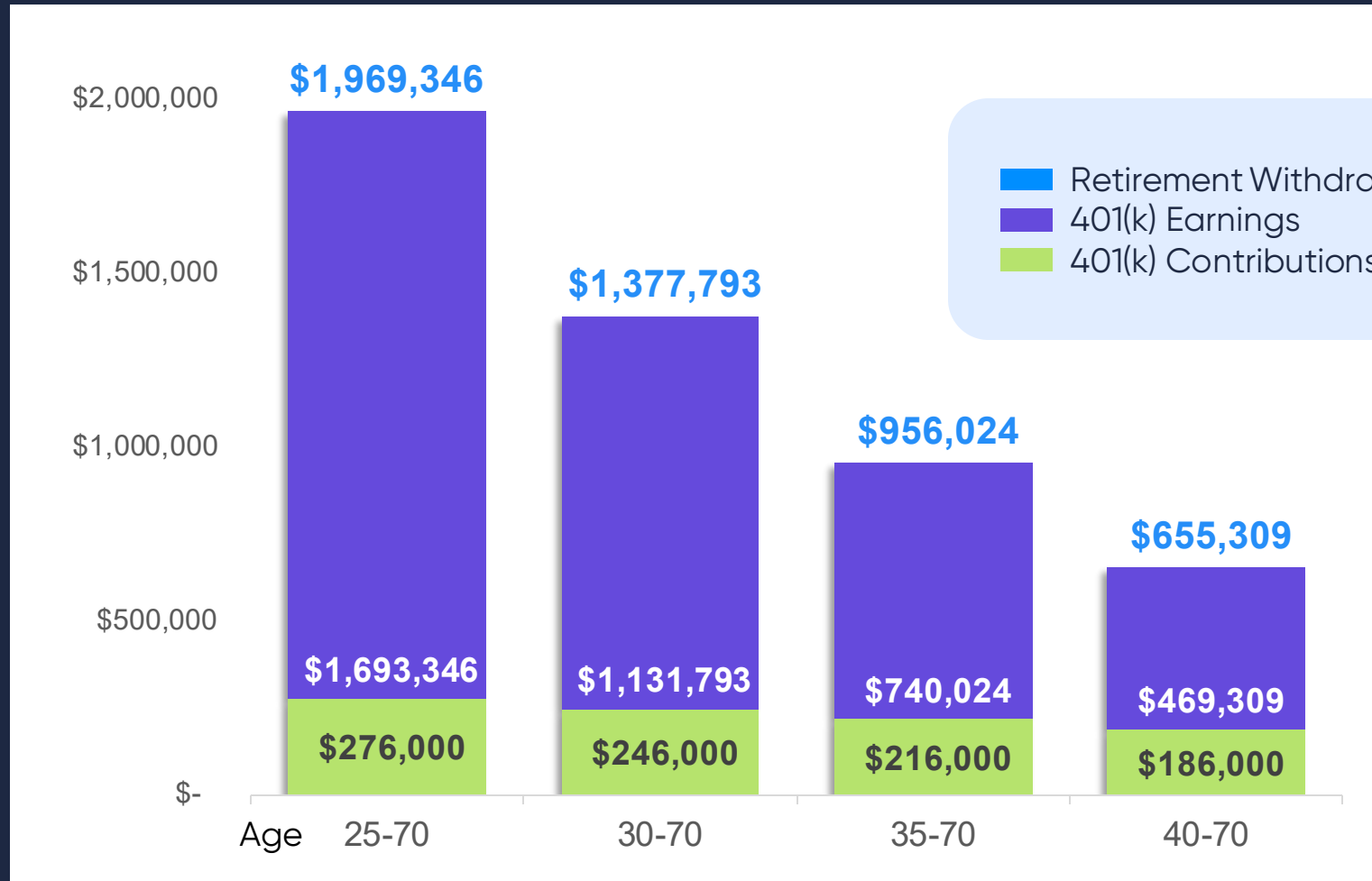


Income taxes we're *paid upfront, so withdrawals, including contributions and earnings, are tax-free.

In 2024, contribution limits are \$23,000 if you're under 50 and \$30,500 if you're older.
You can contribute to both, but the combined limit is \$23,000.



401(k) Timeline for Contributing \$6,000 Yearly at 7% Growth at Different Ages



Traditional 401(k) Pros and Cons



- ✓ Offers an immediate tax break.
- ✓ Lower taxable income now and enjoy tax benefits during lower-income retirement years.
- ✗ Full amount is taxed upon withdrawal, including your investment growth.
- ✗ Withdrawals are taxed as ordinary income, not capital gains.

Opting for Traditional

Contributes \$1,000 and saves \$320 in taxes (32% of \$1,000)
Drops to 24% tax bracket.



Contributes 6% of paycheck to 401(k) to get full company match. This lowers taxable income to \$28,200.
\$216 pretax savings a year and more in net pay.

Roth Pros and Cons

- ✓ Tax-Free Withdrawals
- ✓ Tax-Free Growth
- ✗ Tax Bracket Risk
- ✗ Impact of Take-Home Pay
- ✗ The Five-Year Rule



When it Makes Sense to Choose Roth



Income: \$50k
Tax Bracket: 12%
Single

Young person expects to be in a higher tax bracket later in life. The next tax bracket is 22%.

Paying taxes now at a lower rate (12%) is minimal compared to the benefit of tax-free growth!



Income: \$160k
Tax Bracket: 22%
Married

Approaching retirement with \$3.2M in a Traditional 401(k). RMD (\$181k) plus Social Security is more than the spending need.

Pays taxes upfront and avoids bumping the household into the 24% tax bracket.



Income: \$150k
Tax Bracket: 24%
Single

A saver who can afford to contribute the IRS maximum either way. Can comfortably save \$23,000 in a 401(k).

After-tax savings are effectively \$5,520 higher per year with Roth contributions.



Impact of Paycheck Contributions Over Time

Roth contributions are typically better for long-term savers who expect their average tax rate to increase in retirement.

	Traditional	Roth
Gross annual income	\$40,000	\$40,000
Gross annual contributions	\$4,000	\$4,000
Annual income subject to taxes	\$36,000	\$40,000
Annual taxes paid (15%)	\$5,400	\$6,000
Comparison of annual taxes paid over 35 years	\$189,000	\$210,000
Value at retirement (for 35 years at 6%)	\$460,097	\$460,097
Minus taxes withheld at retirement (20%)	-\$92,019	\$0
After-tax value	\$368,078	\$460,097

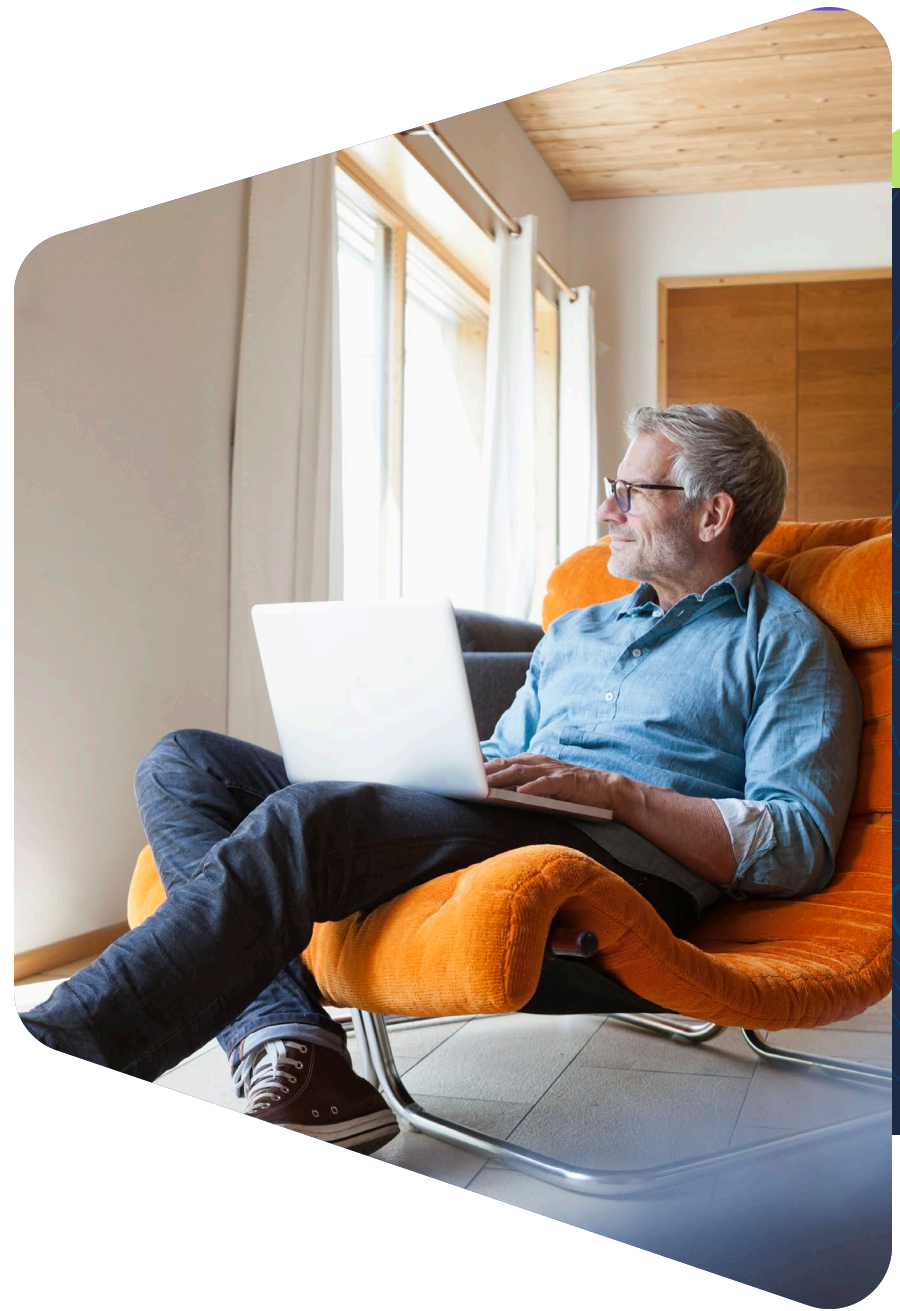
*These are hypothetical illustrations for demonstration purposes only. Actual investment results will fluctuate based on market conditions and actual tax rates so that the withdrawn may be worth more or less than the original amount invested. This assumes that the salary did not change over time, the tax does not include state or local taxes and this assumes the taxes paid on a lump sum distribution.



Consider Diversifying

Earners who aren't sure what their tax rates may be in the future may choose to **diversify their tax strategy** now by making some Roth and some traditional pretax contributions.

You can convert Traditional 401(k) contributions to Roth 401(k) contributions.





Future Factors

- New tax laws
- Required Minimum Distribution (RMD) requirements with balance
- Higher or lower tax states
- How much will you be getting in social security
- Tax filing status and tax liability (married, divorce, death in the family)
- Future expenses i.e. Medicare premiums, long-term care insurance, etc.

Pro Tip: Calculators are a great tool to help make assumptions for your future tax rate.

Financial Calculators



- [Roth 401\(k\) vs. Traditional 401\(k\) Financial Calculator](#)
- [Roth Contributions Within Your Retirement Calculator](#)
- [Retirement Planner Calculator](#)
- [Required Minimum Distribution \(RMD\)](#)
- [401\(k\) Contribution Effects on Your Paycheck Calculator](#)
- [401\(k\) Spend It or Save It Calculator](#)
- [Investment Risk Tolerance Quiz](#)
- [401\(k\) Calculator](#)





How to Make Contributions



Enroll

Visit slavic401k.com/enroll



Contribute

Decide how much of your paycheck to contribute.

Take Note: If you prefer a Roth contribution, be sure to click **"Other More Options"** and a drop down will pop up allowing you to choose your contribution amount for each.



Track

Watch your investment grow throughout your career.

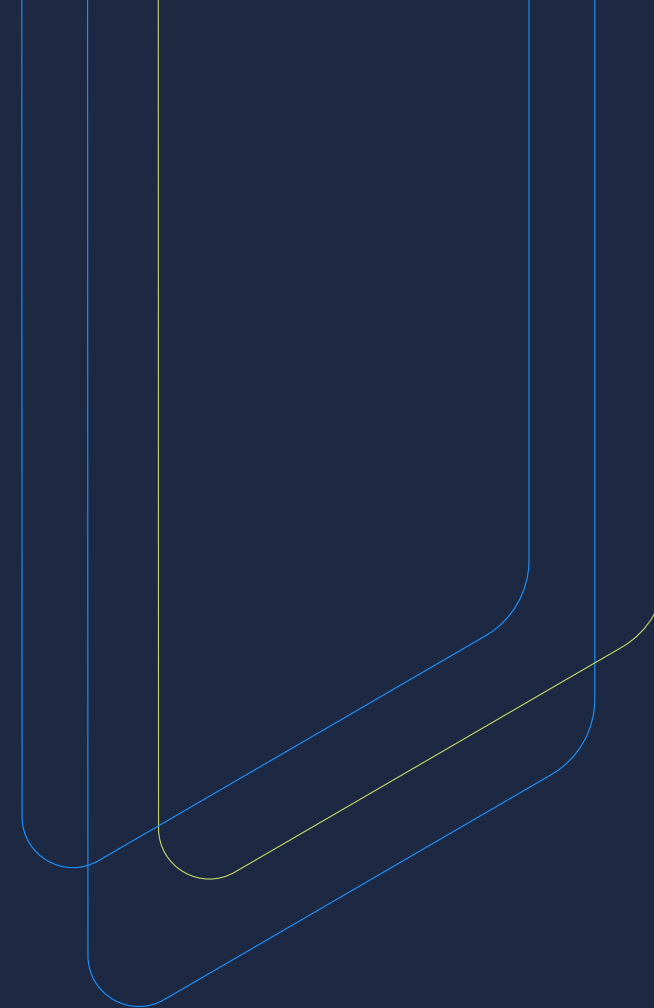


Retire

Withdrawal earnings and cash out at retirement.

Questions?

This webinar presentation will be shared with the attendees and available online at Slavic401k.com



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