

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





Investments grow tax-deferred.



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

Roth



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



Investments have tax-free growth.

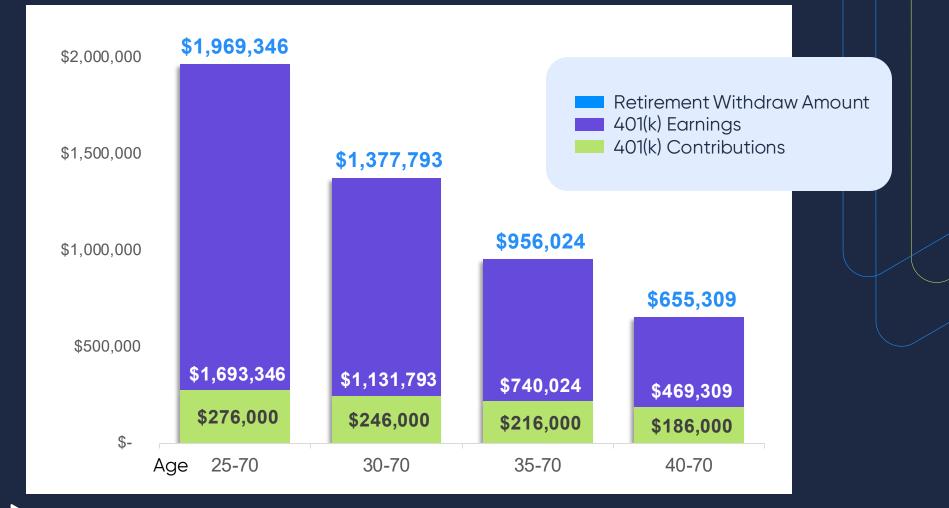


Income taxes we're *paid upfront, so withdrawals, including contributions and earnings, are tax-free.

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.

VS

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.





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
- X Tax Bracket Risk
- ×
- Impact of Take-Home Pay
- X The Five-Year Rule



When it Makes Sense to Choose Roth

Income: \$50k	Income: \$160k	Income: \$150k
Tax Bracket: 12%	Tax Bracket: 22%	Tax Bracket: 24%
Single	Married	Single
Young person expects	Approaching retirement	A saver who can afford
to be in a higher tax	with \$3.2M in a Traditional	to contribute the IRS
bracket later in life.	401(k). RMD (\$181k) plus	maximum either way.
The next tax bracket	Social Security is more	Can comfortably save
is 22%.	than the spending need.	\$23,000 in a 401(k).
Paying taxes now at a	Pays taxes upfront and	After-tax savings are
lower rate (12%) is	avoids bumping the	effectively \$5,520 higher
minimal compared to	household into the 24%	per year with Roth
the benefit of tax-free	tax bracket.	contributions.

growth!

9

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.

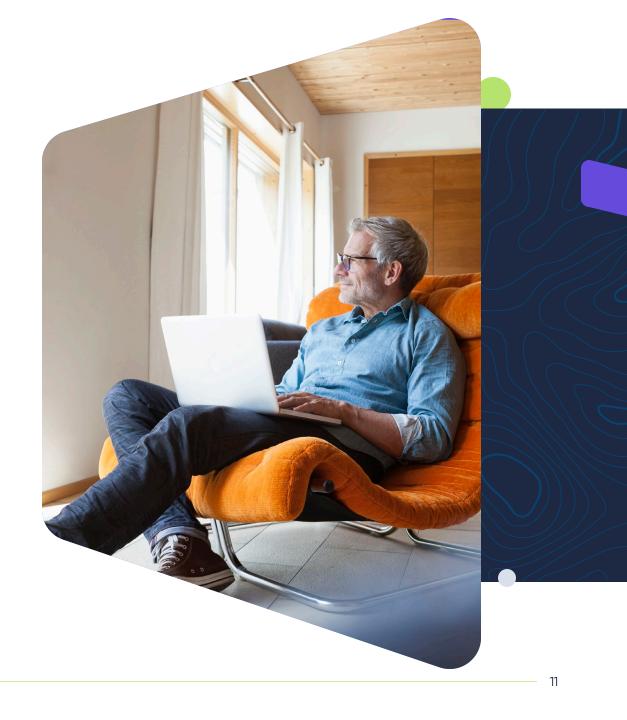
	Traditional	Roth
Gross annual income	\$40,000	\$40,000
Gross annual contributions	\$4,000	\$4,000
Annual income subject to taxes	\$36,000	\$40,000
Annual taxes paid (15%)	\$5,400	\$6,000
Comparison of annual taxes paid over 35 years	\$189,000	\$210,000
Value at retirement (for 35 years at 6%)	\$460,097	\$460,097
Minus taxes withheld at retirement (20%)	-\$92,019	\$O
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 Contributions Within Y Most retirement plans offer traditional contrib when the money is withdrawn. Many plans an account on an after-tax basis. An advantage distributions. Use this calculator to help comp	utions, which are made on a b re now offering Roth contributi of this type of contribution is th	pefore-tax basis. Taxes are due ons as well. Roth contributions hat you pay no taxes on the con	allow you to contribute to tributions - and any earni	your retirement ngs - for qualifying	
	Based on your inputs,	Traditional contribution	s may be worth more the	an Roth contribution	5:44	
	Retirement contributions and your pa	aycheck:			Calculators	
	Current age:* ⑦ 40	1	24	47	All Employers PEOs Participants Finan	clot Advisors Search,
	Current income:* (?) \$45,000	\$0	\$1k	\$10k		
	Current tax rate:* ⑦ 24%	0%	17%	33%	ENCOLATORS Investment Risk Tolerance	Social Security Benefit
	Retirement tax rate:* ⑦ 22%	0%	17%	33%	Ouiz Risk profiles are used to determine the	Calculator Use this colculator to estimate your Soci
60 63		0%	4%	8%	percentage of your portfolio exposed to equities. This quiz helps determine your risk.	Security benefits. Read More →
0% 13%	Hypothetical rate of (7) 6%			67	profile Read More →	Head Hote -7
	Age at retirement.* ⑦ 65	<u>eo</u>	63			
	Current annual Contribution:* 5%	0%	13%	27%	Roth Contributions Within Your Retirement Plan	Roth 401(k) vs. Traditiona 401(k) Calculator
ts:	Pay frequency:* ⑦ Monthly	Pay frequency:* ⑦ Monthly				
Click for Details	Current contribution				impact of roth contributions within your retirement plan and your paycheck.	contribution type might be right for you Read More \rightarrow
Click for Details					Read Mees ->	
Hypothetical Account Balances at Retirement	Paycheck and contribution results:				Retirement Planner	Retirement Nest Egg
					Calculator	Calculator
					Guickly determine if your retirement plan is on track – and learn how to keep it there.	Do you know how much it takes to creat secure retriement? Use this colculator to determine what size your retirement nest
\$127,421 \$130,7					Read More →	should be.
					Required Minimum	
					Distribution (RMD)	401(k) Spend It or Save It Calculator
cal Value at Relirement Hypothetical V	aluo Altor Taxos				Use this colculator to determine your Required Minimum Distributions (IMD) as an ecount owner of a retrement account. This include colculator will also look at potential incluse year's distribution requirements.	There are several ways to manage your when you leave an employer. Making the wrong decision can cost you thousands dollars both in taxes and lost earnings.
Hypotheca -					alavic4	01k.com

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

Age at retiremen

Paycheck and cont

Conversion results

\$180 \$160 \$140 \$120 \$120 \$100 \$100 \$80 \$80 \$40 \$20

Current annu contribution Pay frequence



How to Make Contributions





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.

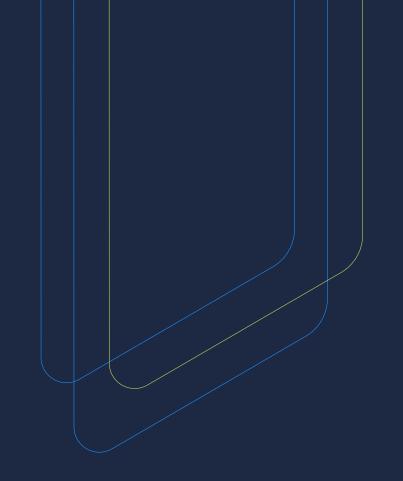


Retire

Withdrawal earnings and cash out at retirement.

Questions?

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



Have more questions.. Visit slavic401k.com/support

Thank you!

Sign up for our full Webinar Series at Slavic401k.com/events



*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.