



WERNER FINANCIAL
CUSTOMIZED INVESTMENT SOLUTIONS

ROTH VS. TRADITIONAL IRA

A Roth and Traditional IRA both provide specific benefits when aiming to save for retirement. However, it is important to know and understand key differences between the two while determining which account makes the most sense for your particular needs.

ROTH

A Roth IRA allows you to make after tax contributions.

Best Suited For:

An individual who expects to be in a higher tax bracket when they start taking withdrawals.

TRADITIONAL

A traditional IRA may allow you to make pre-tax contributions.

Best Suited For:

An individual who expects to be in the same tax bracket when they start taking withdrawals.

TAXES

Contributions Grow:

Tax Free

Tax Deductibility:

No, gives you no current-year benefits.

Contributions Grow:

Tax Deferred

Tax Deductibility:

Yes, gives you immediate tax benefits.
(Subject to income limitations for participants in employer-sponsored plans.)

ROTH**TRADITIONAL****CONTRIBUTIONS**

Contributions Come From: After-Tax Dollars	Contributions Come From: Pre-Tax or After-Tax Dollars
Max Contribution for 2021: \$6,000 (\$7,000 if you're over 50 years old.)	Max Contribution for 2021: \$6,000 (\$7,000 if you're over 50 years old.)
Contribution Eligibility: Those with earned income below a certain level.	Contribution Eligibility: Anyone with earned income.
Contribution Age Restriction: None	Contribution Age Restriction: None

WITHDRAWALS

Penalties: Penalty and tax-free after 5 years and age 59 1/2	Penalties: Penalty-free but taxed as current income after age 59 1/2
Mandatory Distributions: None	Mandatory Distributions: After age 72

TAKEAWAY

The key difference between a Roth IRA and Traditional IRA is whether it makes more financial sense to:	
Enjoy tax-free withdrawals in the future.	Take advantage of tax benefits today.



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