



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	TRADITIONAL
A Roth IRA allows you to make after tax contributions.	A traditional IRA may allow you to make pre-tax contributions.
Best Suited For: An individual who expects to be in a higher tax bracket when they start taking withdrawals.	Best Suited For: An individual who expects to be in the same tax bracket when they start taking withdrawals.

TAXES	
ROTH	TRADITIONAL
Contributions Grow: Tax Free	Contributions Grow: Tax Deferred
Tax Deductibility: No, gives you no current-year benefits.	Tax Deductibility: Yes, gives you immediate tax benefits. (Subject to income limitations for participants in employer-sponsored plans.)

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

WITHDRAWALS	
ROTH	TRADITIONAL
Mandatory Distributions: None	Mandatory Distributions: After age 72
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

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

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