



Roth vs Traditional

What Have You Contributed in 2021?

2021	Traditional IRA	Traditional 401K	Roth IRA	Roth 401K
Annual contribution*	\$6000	\$19,500	\$6000	\$19,500
Catch-up contribution (≥ age 50)	+ \$1000 = \$7000	+ \$6500 = \$26,000	+ \$1000 = \$7000	+ \$6500 = \$26,000
Contribution taxed? (\$ In)	No (pre-tax \$)		Yes (after-tax \$)	
Distribution taxed? (\$ Out)	Yes		No	
Tax benefit	Save now → grow free → pay later		Pay now → grow free → save later	
Income limits?	Yes [†]	No	Yes [†]	No
Non-qualified distributions (ie, < age 59½)	Tax + 10% penalty		Contributions: free Conversions (≥ 5 yrs): free Conversions (< 5 yrs): 10% penalty Earnings: Tax + 10% penalty [‡]	
Required Minimum Distributions (over age 72)?	Yes		No [§]	Yes

* (Unless limits apply) you may contribute up to \$6000 to any type of IRA, AND up to \$19,500 to any type of 401K in **2021**

[†] Tax deduction on your traditional IRA contribution may be limited if you and/or your spouse are covered by a Qualified Plan, such as a 401K. Roth IRA contributions are restricted over certain income thresholds.

[‡] Roth contributions may always be taken out free of penalties and tax (as the tax has already been paid). When taking distributions from a Roth IRA, contributions come out first, followed by conversions, then earnings. Distributions from a Roth Account (401K) come out "pro rata" or by percentage.

[§] Distributions are only required after death (if a non-spouse inherits)