

# Riverside *RETIREMENT TIMES*

*February 2025*

## **Roth vs Traditional (pre-tax): Which is right for you?**

---

One of the most common questions we receive is whether Roth or Traditional contributions are best for Retirement Savers. The answer is: "it depends". A traditional 401k/403b involves saving money into a pre-tax account which means the amount saved is deducted from one's taxable income for the current year. Some Plans also allow for Roth deductions which are taxed at the time of saving. So... which is best? Paying taxes now (and avoiding it later) or taking the tax break now and paying when you withdraw the funds at retirement?

At the moment, despite the benefits of Roth, many more retirement savers use traditional accounts. This is the right strategy for people looking to save on their taxes in the near term, those who are struggling to save at all, and those in higher tax brackets.

That said, there are many advantages to Roth saving, and that option is gaining traction in the marketplace. One option is to split savings between traditional and Roth by putting half of your contributions in each.

There are two categories of savers who should strongly consider heavily investing in Roth accounts- very young savers (20s and 30s) and very high earners. The IRS does not allow high earners to contribute to Roth IRA accounts, so if a Roth option is included in their 401k/403b this may be their only avenue to this savings type.

If a younger retirement saver does not need the tax benefit today, Roth can be attractive because they have so much time for growth. The main benefit of Roth is that the growth over time is not taxed on the back end in retirement. In short, the more time a saver has, the more a Roth will benefit them.

The bottom line is this: with the savings rate in the U.S. well below retirement needs, **the most important decision is to save!** The most desirable account type can be debated, and may change over time. Don't hesitate to contact a member of the Riverside Team to discuss your individual account options.

---

Riverside Retirement Advisors, LLC \* 1034 Farmington Avenue, 3rd Floor \* West Hartford, CT 06107

860.904.4059 \* [www.riversideretire.com](http://www.riversideretire.com) \* [cy@riversideadvisor.com](mailto:cy@riversideadvisor.com)

Securities offered through Cetera Financial Specialists LLC, Member FINRA/SIPC. Advisory services are offered through The Patriot Financial Group, LLC, an SEC registered investment advisor DBA Riverside Retirement Advisors. Cetera is under separate ownership from any other named entity. The opinions contained in this material are those of the author, and not a recommendation or solicitation to buy or sell investment products. This information is from sources believed to be reliable, but Cetera Financial Specialists LLC or Cetera Investment Advisers LLC cannot guarantee or represent that it is accurate or complete. Distributions from traditional IRAs and employer sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59 ½, may be subject to an additional 10% IRS tax penalty. To qualify for the tax-free and penalty-free withdrawal or earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59 ½ or due to death, disability, or a first-time home purchase (up to a \$10,000 lifetime maximum). Depending on state law, Roth IRA distributions may be subject to state taxes.