



Contributing to a Roth Account

IS A ROTH ACCOUNT RIGHT FOR YOU?

To help you achieve a financially secure retirement, you can contribute money either to a pre-tax account or an after-tax "Roth" account. Which is right for you?

Your 403(b) Profit Sharing Plan is a valuable benefit program. To help you achieve a financially secure retirement, your plan may allow you to contribute money either to a pre-tax account or an after-tax "Roth" account.

WHO SHOULD CONTRIBUTE TO AN AFTER-TAX ROTH ACCOUNT?

- **YOUNGER WORKERS:** Younger workers who expect their income to increase over the years. A young worker just starting his or her career in an

entry-level position will have a lower tax bracket now. Giving up a lower tax break today to avoid future taxation at a much higher rate later is an easy decision.

- **EXPECTING HIGHER TAX RATES:** Those of all ages and income levels who expect U.S. tax rates to be much higher during their retirement years. This takes some guesswork, but tax rates certainly have been much higher at times in the past and may again be in the future. Pre-paying tax obligations through Roth 403(b) locks in today's tax rates.
- **LOOKING TO DIVERSIFY:** Participants wishing to diversify their tax liabilities in retirement. By accumulating both pretax and after-tax 403(b) accounts, participants can hedge their bets against

- unknown future tax rates and control the timing of retirement withdrawals to minimize taxation.
- **PREFER TO PAY NOW:** Those who simply prefer to pay taxes now rather than later. Participants who pay their taxes up front will know exactly how much they have for retirement. The relative certainty of the planning process may appeal to some.

- **NEED THE MONEY SOONER:** Those who may need the money in less than five years: If Roth 403(b) contributions are withdrawn in less than five years from the year of the first Roth investment, the tax exemption on the earnings is lost.

WHO SHOULD CONTRIBUTE TO A TRADITIONAL PRE-TAX ACCOUNT?

- **LOOKING FOR AN IMMEDIATE TAX DEDUCTION:** Higher income employees may be more interested in continuing to reduce today's tax burden. Others have become used to a \$100 403(b) contribution only reducing their take-home pay by \$70 to \$85 and may not be willing to shoulder the additional current taxes.
- **LOWER TAX BRACKET:** Those who believe they will be in a lower tax bracket in retirement: In reality, most workers haven't built such enormous 403(b) accounts that their retirement income will be taxed at a higher or even the same rate. Proper timing of distributions from a pre-tax account can further manage future tax obligations.

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