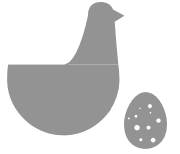


ROTH

- VERSUS -

PRETAX

What is better, Roth or pretax retirement plan contributions? This question is almost as tricky to answer as what came first, the chicken or the egg? The below will help guide you based on your individual situation.



Now 

- Tax -

Later 

Pay taxes now to avoid paying them in retirement.

- Roth contributions would result in a little less in your take home pay today.

Defer taxes now and pay them in the future at the time of withdrawal.

- Pretax contributions leave you a bit more in your take home pay today.



- Time Horizon -



The longer you have until you withdraw, the more attractive Roth becomes. Because the growth on Roth contributions is never taxed, a long time horizon makes Roth more advantageous.

If you have less than the five years required to withdraw Roth dollars tax free, stick to pretax. Further, if your time horizon is in the single digits of years you probably don't have enough time for there to be a significant difference one way or the other.



- Income -



If your income is currently low and you expect to pay more taxes in the future, you may want to pay taxes now and save via Roth. Or, if your income is too high to contribute to a Roth IRA you can still save via Roth in your employer plan.

If your income now is high right now and you expect it to be lower in retirement, pay taxes later and save via pretax.



- Distribution -



Qualified distributions are tax-free (i.e. distributions after age 59½, death, or disability) as long as it has been five years since first Roth deposit.

Distributions are generally allowed at age 59½, upon death, disability, or separation from service. Even if there is no 10% early withdrawal penalty, pretax distributions are always subject to income tax.