SIA INSURANCE SERVICES

Roth vs. Traditional 401(k)

Same contribution limits, same employer match — the only difference is when you pay the tax

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The Core Question

Would you rather pay taxes on the seed — or the harvest? Traditional = pay later. Roth = pay now.

Traditional 401(k)

Pay taxes later — keep more today

Contributions	Pre-tax (reduces taxable income now)
Tax benefit	You save taxes today
Growth	Tax-deferred
Withdrawals	Taxed as ordinary income
Best if	You expect lower taxes in retirement
RMDs	Required starting at age 73
2026 base limit	$24,500
Age 50–59 limit	$32,500 (+ $8,000 catch-up)
Age 60–63 limit	$35,750 (+ $11,250 super catch-up)
Employer match	Eligible regardless of contribution type

VS

Roth 401(k)

Pay taxes now — keep everything later

Contributions	After-tax (no upfront tax break)
Tax benefit	You pay no taxes in retirement
Growth	Tax-free
Withdrawals	100% tax-free in retirement
Best if	You expect higher taxes in retirement
RMDs	None during your lifetime
2026 base limit	$24,500
Age 50–59 limit	$32,500 (+ $8,000 catch-up)
Age 60–63 limit	$35,750 (+ $11,250 super catch-up)
Employer match	Eligible regardless of contribution type

Choose Traditional if…

- You're in a high tax bracket now and expect to be in a lower bracket in retirement
- You want to lower your taxable income today
- Your employer doesn't offer Roth 401(k)
- You're close to retirement with less time to benefit from tax-free growth

Choose Roth if…

- You're early in your career with lower income and more time to grow
- You expect to be in a higher tax bracket in retirement
- You want tax-free income that won't affect Social Security taxation
- You want to avoid RMDs altogether

Can't decide?

Many people split contributions — putting some in Traditional and some in Roth. This hedges against future tax uncertainty and gives you flexibility in retirement.

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