American Trust Retirement

Simply better retirement.

TRADITIONAL VS. ROTH

Advantages

Traditional

- Reduces your taxable income
- Pay no taxes until you take a distribution
- Tax savings equals more take-home pay

	Income	Taxes
Taxable income before contributing	$35,000	$5,250
Annual pre-tax contributions ($200 × 12 months)	$2,400	-
Taxable income after contribution	$32,600	$4,890
Tax Savings	-	**$360**

Based on 2016 tax tables for a single filer. Consult for your tax advisor for specific information. For illustrative purposes only.

Result: John deposited $2,400 into his 401(k) account, and saved himself $360 in taxes!

Roth

- Tax-deferred growth
- Great for disposable income or unforeseen emergencies at retirement
- No required minimum withdrawal provision at age 70 ½
- Similar to an insurance policy for your beneficiaries
- Higher contribution limits than with a Roth IRA
- May be rolled into a Roth IRA
- No money, including earnings will be taxable upon withdrawal

Example: An annual contribution of $2,500 per year for 25 years at an 8 percent rate of return equals $159,663. If you made your contributions on a pre-tax basis you would owe taxes on all of it. If you made your contributions on a Roth basis, you would owe zero taxes.

Things to Consider

- Required minimum: 20 percent Federal tax and 5 percent State tax immediately upon withdrawal
- Uncertainty about the assessment of future taxes
- At age 70 ½, you are required to take withdrawals, even if you do not need the money (*not* if you are still employed)
- May not be best option for beneficiaries: five year rule

- Contributions do not lower your income taxes
- Less take-home pay (due to taxes)
- Cannot be used for loans or hardship distributions
- Five year and age 59 ½ rules apply to everyone

Could be Beneficial if You:

- Are in a high tax bracket: need to lower taxable income
- Are unable to tolerate less take home pay now
- Retire or need access to the account in five years or less
- Are in a higher tax bracket *now* than you will be at retirement

- Are in a lower tax bracket now than at retirement (likelihood of this increases if you have 20 years or more)
- Can afford a little less take-home pay now in exchange for paying no taxes later
- Want to leave tax-free money to your beneficiaries
- Have a pre-tax source to use for income, but also need disposable, tax-free income at retirement
- Are at age 30 or less, and/or just starting to save for retirement
- Can wait five years and until age 59 ½ to use the money

For more information, contact your American Trust education consultant at 800.548.2994.

Please consult a tax advisor if you would like to know which type is most suitable for your situation.