



Brighten Your Outlook®



# Is a Roth Right for You?

A Roth account lets you put a different tax twist on retirement savings—and the result could save you money down the road. So, should you take the Roth route?

## Roth basics

Unlike a traditional pretax retirement plan, a Roth account is funded with after-tax dollars. Those dollars grow tax-deferred, and if you hold the account for at least five years and don't withdraw the money until at least age 59½, you won't owe a dime in taxes\* on your earnings. The trade-off: Because contributions are after tax, your take-home pay will be reduced by the amount you save.

This can make a Roth especially attractive if you expect your tax rate to be higher when you retire than while you're working—maybe due to a combination of a savings plan, Social Security, and other income you expect to receive, a rise in income tax rates, or a combination of both. Also, if you're just starting out, you might not earn enough today to really benefit from pretax savings; so, a Roth account might make sense, at least early in your career.

## Your choices, head-to-head

	Traditional	Roth
Contributions	Pretax, lowers current taxable income*	After tax
Earnings	Tax deferred	Tax deferred
Withdrawals	Income tax due on all contributions and earnings (10% IRS penalty may apply before age 59½)	No tax due on qualified withdrawals**
Required minimum distributions	Must begin after age 70½ (unless you're still working)	Can avoid with rollover to Roth IRA

\*Federal and most states

\*\*You must hold account at least five years and past age 59½. Other withdrawals may be subject to a 10% IRS penalty if you are under age 59½.

## Roth FAQs

### Am I eligible?

If your retirement plan allows it, anyone who can save through a traditional pretax plan can fund a Roth account. And unlike a Roth IRA, there are no income limits on Roth eligibility.

### How much can I contribute?

You may contribute up to the IRS annual limit (currently \$18,000, though other plan limits may apply) to your entire retirement plan—traditional, Roth, or a combination of both. Also, if you're age 50 or older at any time during 2017, and your plan allows, you can contribute an additional \$6,000 in "catch-up" contributions to your accounts.

### Consider a Roth account if:

- > You think you'll be in a higher tax bracket when you retire than you are today.
- > You're not earning enough to reap much benefit from a pretax account. (You can always shift to traditional pretax savings if your income—and tax rate—spike upward.)
- > You want to diversify your tax risk—that is, hedge at least some of your savings against the chances that your tax rate will rise later on.

## Think ahead. Take action now.

### Traditional, Roth, or both?

- > **Do the math.** Use the Roth calculator at [my.trsuretire.com](http://my.trsuretire.com) to see if a Roth account adds up for you.
- > **Look into the future.** Think about where your tax bracket could be in light of your current pay...and possible changes to tax rates

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