## 2023 · SHOULD I CONTRIBUTE TO MY ROTH 401(K)?

Start Here



Do you expect your future You will receive the tax Do you want to save more effective tax rates to be than \$22,500 per year deduction now. at the the same or higher than higher rates. In the future. (\$30,000 if age 50 or over)? eligible distributions will the current rates? be taxed when you are Consider making a presumably subject to a traditional 401(k) lower rate of tax. Yes No No Yes contribution. Are you eligible to Contributions to your contribute to a Roth IRA? You could make traditional 401(k) will non-deductible Consider making a Roth reduce your AGI, and can contributions to a 401(k) contribution. Unlike help you to qualify for traditional IRA and then Yes No a Roth IRA, a Roth 401(k) credits and avoid convert to a Roth IRA, or has no income-based surtaxes/surcharges. to your 401(k) and then eligibility restrictions. make an in-plan Roth Prior to turning rollover or conversion, or age 59.5, could you need to an in-service distribution You will pay tax now, at the Employer matching withdraw the contribution? to your Roth IRA (if Due to changes made lower rates. In the future, contributions may either permitted). by the SECURE Act 2.0, gualified distributions will be pre-tax (taxed upon Roth 401(k)s will no be tax-free, when you are distribution) or Roth (taxed Yes No longer be subject to presumably subject to a as income upon receipt). RMDs (starting in 2024). higher rate of tax. Employer matching Roth Reference the "Can I Make contributions must be A Backdoor Roth IRA non-forfeitable (i.e., fully Contribution?" flowchart vested). and your plan documents Consider making a Roth to see if you are eligible. 401(k) contribution because you can save up Consider a Roth IRA to \$22,500 per year No additional planning (\$30,000 if age 50 or over). because you can withdraw considerations. the contributions at any Consider making a Roth time (tax and penalty-free). 401(k) contribution to Roth 401(k) withdrawals obtain any employer Yes No must be permitted by the match (pre-tax or Roth): plan and also qualified, otherwise, a Roth IRA is otherwise, distributions generally the more flexible are made pro rata, subject Can you save more than account. to tax on earnings and \$6,500 per year (\$7,500 if possible penalties. age 50 or over)?

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