## 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 than \$22,500 per year effective tax rates to be deduction now, at the the same or higher than (\$30,000 if age 50 or over)? higher rates. In the future, the current rates? eligible distributions will be taxed when you are Consider making a presumably subject to a traditional 401(k) Yes No lower rate of tax. Yes No 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 a Roth IRA, a Roth 401(k) Yes No 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 withdraw the contribution? Employer matching to your Roth IRA (if Due to changes made lower rates. In the future, contributions may either permitted). by the SECURE Act 2.0, qualified 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 because you can withdraw (\$30,000 if age 50 or over). 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 must be permitted by the Yes No match (pre-tax or Roth); plan and also gualified, 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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