

Roth and pretax retirement plan contributions

Contribution and conversion options for your plan

If you offer both pretax and Roth options in your plan, you give participants greater flexibility to choose how they want to save for retirement. Pretax contributions provide a tax break right away, while Roth contributions can provide tax advantages later when money is withdrawn.

This chart provides a comparison of pretax and Roth contributions.

Pretax	Roth
Defer taxes now	Pay taxes now
Take home more pay today in exchange for paying taxes on withdrawals in retirement	Take home less pay today in exchange for not paying taxes on qualified withdrawals in retirement. For a qualified withdrawal, the participant must have made their first contribution to the account at least five tax years earlier and be over age 59½.
May pay a penalty if they withdraw money before age 59½	May pay a penalty if they withdraw money before age 59½
In retirement: Pay income tax on withdrawals in year of distribution	In retirement: Don't pay taxes on qualified withdrawals of contributions or earnings

This chart provides general guidelines and isn't applicable to all participants or scenarios.

Participants can make both pretax and Roth contributions, but the annual IRS limits apply to the combined total of both. Participants age 50+ can make catch-up contributions as pretax or Roth.