FINANCIAL ALTERNATIVES

Roth vs. Traditional

IRA, 401(k), AND 403(b)

A SIMPLE GUIDE FOR EDUCATORS & RETIREES

Understand how your retirement savings are taxed—now and in the future.

WHY THIS TOPIC MATTERS

It's Not Only About How Much You Save

When most people think about retirement planning, they ask:

> *"Am I saving enough?"*

That matters. But there is another question that can be just as important:

> ***"How will my retirement savings be taxed when I need to use them?"***

For educators, public employees, and retirees, that question often becomes more meaningful because retirement income may come from more than one source, including:

- pension benefits
- workplace plans such as a 403(b) or 457(b)
- personal savings such as IRAs

That is why this guide focuses on more than definitions. It is designed to help you understand how different account types may affect flexibility, income planning, and long-term clarity.

QUICK NOTE

Not every plan offers the same features, and the rules for Roth and Traditional accounts can vary depending on the type of account and your situation.

THE TWO MAIN TAX BUCKETS

A simple way to think about Roth and Traditional

TRADITIONAL (taxed later)

- Contributions are generally made on a pre-tax basis
- May reduce taxable income in the year you contribute
- Withdrawals are generally taxed in retirement

ROTH (taxed now)

- Contributions are generally made with after-tax dollars
- No immediate tax benefit
- Qualified withdrawals may be tax-free if IRS requirements are met

WHY THIS MATTERS

This difference may not feel important when you are contributing. It often feels more important when you start thinking about retirement income and how different sources may work together.

Roth vs. Traditional At A Glance

FEATURE	TRADITIONAL	ROTH
Taxes on Contributions	Typically later	Typically now
Current-year tax benefit	May reduce taxable income	No immediate tax benefit
Taxes in retirement	Withdrawals generally taxable	Qualified withdrawals may be tax-free
Potential incentive	Lower taxable income today	More flexibility later

IMPORTANT:

This is a simplified comparison. Actual tax treatment depends on the account type, plan design, eligibility rules, and your specific circumstances.

Where These Options May Appear

You may see Roth and Traditional tax treatment in several different types of accounts.

IRA

- Traditional IRA
- Roth IRA
- Opened outside of an employer plan

401(k)

- Often used in private-sector employment
- Some plans offer Traditional and Roth contributions

403(b)

- Common for educators and school employees
- Some plans offer Traditional and Roth contributions

457(b)

- Available to some public employees
- May add flexibility, depending on the plan

WHAT TO REMEMBER
Not every employer plan offers Roth features. Before assuming you have both options, it is important to review what your actual plan allows.

Why This Matters for Educators & Public Employees

RETIREMENT INCOME MAY COME FROM MORE THAN ONE PLACE

For many educators and public employees, retirement planning is not only about one account. It may involve coordinating:

- Pension income
- Workplace retirement plans
- Personal savings
- Other household assets

That matters because each source may be treated differently from a tax perspective.

If most retirement savings are concentrated in pre-tax accounts, more of your income may be taxable later. If some savings are in Roth accounts, there may be more flexibility in how future withdrawals are approached, depending on our situation and the applicable rules.

That does not mean Roth is automatically better. It means the mix of account types may deserve more attention than many people initially realize.

REALISTIC EXAMPLE

Simple Fictional Scenario

Meet Linda

Linda is 53 and works in public education. She has been contributing to a Traditional 403(b) for several years and expects pension income in retirement.

As she gets closer to retirement, she starts asking a new question:

> ***"Should all of my future contributions stay in the same pre-tax bucket?"***

There are a few broad possibilities available to Linda. We've laid out three options she could consider.

KEEP IN MIND
There is no one right option, but it is important to understand how the type of account used for future savings may affect retirement income planning later.

OPTION 1

Linda could continue contributing only to her Traditional savings

This may help reduce taxable income today. But later, those withdrawals are generally taxable.

OPTION 2

Linda could split her new contributions between Traditional and Roth

This may not provide the same tax benefit today, but it may create more variety in how future income is structured.

OPTION 3

Linda could review how her workplace contributions and IRA savings work together

Look at both employer-plan savings and personal savings when thinking about tax diversification.

QUESTIONS & CONSIDERATIONS

If you are reviewing your retirement contributions, these questions can help:

- What income sources do I expect in retirement?
- Am I already heavily concentrated in one type of account?
- Does my current plan offer Roth contributions?
- How important is current-year tax relief?
- How important is future withdrawal flexibility?
- Am I evaluating this decision in the context of my full retirement picture?

When people often revisit the decision:

- Retirement is getting closer
- Income has changed
- Plan options have changed
- Pension planning feels more immediate
- A household wants more flexibility in future income planning

Common Misunderstandings

A FEW EASY MISCONCEPTIONS TO AVOID

"Roth is always better."

Not necessarily. Roth may be useful in some situations, but it is not the best fit for everyone.

"Traditional is outdated."

Also not true. Traditional contributions may still make sense depending on your income, tax picture, and planning goals.

"All 403(b) plans offer Roth contributions."

They do not. Plan features can vary.

"If I have a pension, this does not matter."

A pension is one reason this may matter more, not less, because it becomes part of your overall retirement tax picture.

"Once I choose one, I can never revisit the decision."

Many people review how they direct future savings as their situation changes.

BRINGING IT ALL TOGETHER

Understanding Roth and Traditional accounts is not just about learning definitions. It is about seeing how different types of savings may work together as part of your broader retirement plan.

For educators and public employees, that often means thinking about:

- Pension income
- Workplace plans
- Personal savings
- How different sources may be taxed later

A clearer understanding of these “tax buckets” can make retirement planning feel more coordinated and less confusing.

Want help thinking through your mix of accounts?

Every retirement picture is different.

If this guide helped you think about your savings in a new way, the next step may simply be to look at how your accounts fit together in the context of your full plan.

REACH OUT TO START A CONVERSATION WITH OUR TEAM.

FINANCIAL ALTERNATIVES

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