

Roth IRA vs Traditional IRA: Which Is Better for Retirement Planning?

Choosing between a Roth IRA and a Traditional IRA isn't just about picking an account type—it's about making a strategic decision that could save or cost you thousands in retirement. The difference comes down to one fundamental question: Do you want to pay taxes now or later?

Both accounts offer powerful tax advantages, but they work in opposite ways. Traditional IRAs give you an immediate tax break today, while Roth IRAs promise tax-free income in retirement. The right choice depends on your current tax situation, future income expectations, and retirement timeline.

Let's break down exactly how each account works and help you determine which makes more sense for your specific situation.

How Traditional IRAs Work

Traditional IRAs operate on a "pay later" tax strategy. When you contribute to a Traditional IRA, you typically get an immediate tax deduction, reducing your current year's taxable income. Your money then grows tax-deferred until retirement.



Traditional IRA Tax Benefits

Immediate Tax Deduction: For 2026, you can contribute up to \$7,500 annually (\$8,600 if you're age 50 or older). If you're eligible for the full deduction, this contribution directly reduces your taxable income.

Tax-Deferred Growth: Your investments grow without annual tax drag. You won't pay taxes on dividends, interest, or capital gains while the money remains in the account.

Lower Current Tax Bill: The immediate deduction can meaningfully reduce what you owe the IRS this year.

Traditional IRA Requirements and Restrictions

Income Limits for Deductions: If you have a workplace retirement plan, your ability to deduct Traditional IRA contributions phases out at higher income levels. For 2026, the phase-out begins at \$81,000 for single filers or heads of household and \$129,000 for married filing jointly (full phase-out ranges: \$81,000–\$91,000 single/HoH; \$129,000–\$149,000 MFJ).

Required Minimum Distributions (RMDs): Starting at age 73 (or age 75 for those born in 1960 or later), you must begin withdrawing a minimum amount each year.

Ordinary Income Tax on Withdrawals: All withdrawals in retirement are taxed as ordinary income at your then-current tax rate.

How Roth IRAs Work

Roth IRAs flip the tax equation. You contribute after-tax dollars today, but enjoy completely tax-free growth and withdrawals in retirement.

Roth IRA Tax Benefits

Tax-Free Growth: Once your money is in a Roth IRA, it never gets taxed again—not on growth, not on withdrawals in retirement.

Tax-Free Retirement Income: Qualified withdrawals after age 59½ are completely tax-free, giving you more spending power in retirement.

No Required Distributions: Unlike Traditional IRAs, Roth IRAs don't force you to take money out at any age, making them excellent wealth transfer vehicles.



Roth IRA Requirements and Restrictions

Income Limits: For 2026, the ability to contribute to a Roth IRA phases out starting at \$153,000 for single filers (full contribution below \$153,000; partial up to \$168,000) and \$242,000 for married filing jointly (full contribution below \$242,000; partial up to \$252,000).

No Immediate Tax Break: You contribute with after-tax dollars, so there's no upfront tax deduction.

Five-Year Rule: To withdraw earnings tax-free, the account must be open for at least five years, and you must be over 59½.

The Tax Bracket Decision Framework

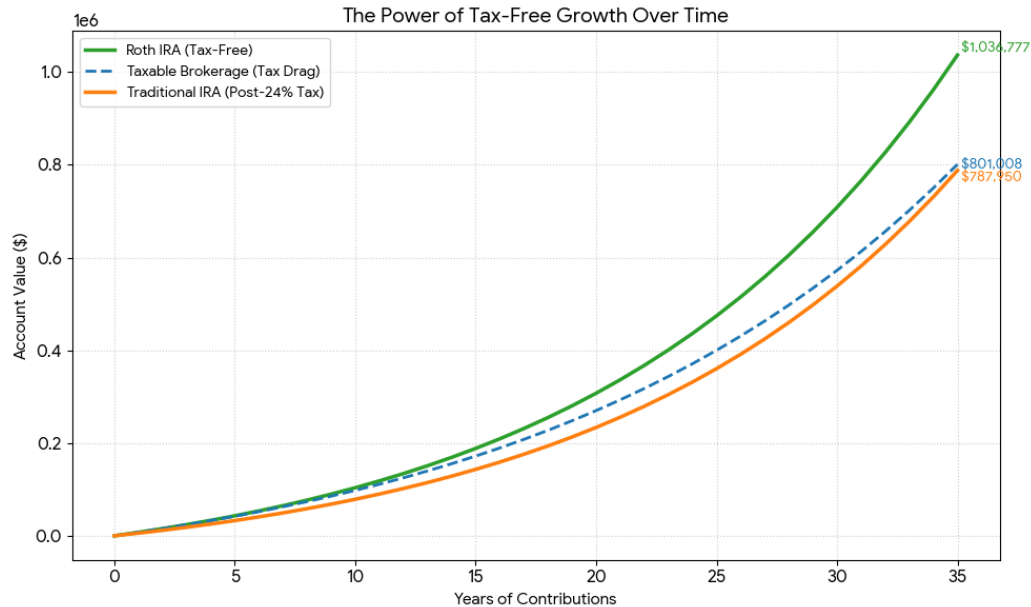
The core decision often comes down to comparing your current tax bracket to your expected retirement tax bracket.

*2026 limits & rules • Source: IRS

Roth IRA vs Traditional IRA: Quick Decision Guide (2026 Rules)

Your Situation	Traditional IRA Is Usually Better	Roth IRA Is Usually Better
Current Marginal Tax Bracket	High (32%–37%)	Low to moderate (10%–24%)
Expected Tax Bracket in Retirement	Lower than today	Same or higher than today
Career Stage	Peak earning years (40s–50s)	Early- or mid-career with rising income
Time Horizon Until Retirement	Shorter (under 15 years)	Longer (15–40+ years)
Future Tax Rate Outlook	Expect rates to stay the same or decrease	Expect rates to rise (or uncertain)
Need for Immediate Tax Savings	Yes — you want the deduction this year	No — you can afford to pay taxes upfront
Estate Planning Priority	Lower	High — want tax-free inheritance for heirs
Other Retirement Income	Expect significant taxable income (pensions, etc.)	Want maximum tax diversification

Comparison of 35-Year Growth Outcomes



Based on a \$7,500 annual contribution at a 7% return rate:

- Roth IRA (\$1,036,777): Your contributions grow completely tax-free. Every dollar shown in the final balance is yours to spend without further obligation to the IRS.
- Taxable Brokerage (\$801,008): While you can access these funds anytime, annual taxes on dividends and realized capital gains create a "tax drag," reducing the effective compound interest.
- Traditional IRA (\$787,950): This represents the post-tax spending power of a Traditional IRA. While the account balance grows just as fast as a Roth, the mandatory 24% tax upon withdrawal significantly reduces its actual value at the end.

Tax-free = more spending power.

Real-World Scenarios



The Young Professional

Sarah, 28, earns \$65,000 as a marketing manager. She's in the 22% tax bracket and expects her income to grow significantly over her career.

Roth IRA Advantage: Sarah pays 22% taxes on her contribution now. In retirement, she'll likely be in a higher tax bracket, making tax-free Roth withdrawals valuable. Her long-time horizon maximizes the benefits of tax-free growth.

The Peak Earner

Michael, 45, is a surgeon earning \$400,000 annually. He's in the 35% tax bracket and plans to maintain a comfortable but less expensive lifestyle in retirement.

Backdoor Roth IRA: While Michael's 35% tax bracket makes a deduction attractive, his high income actually disqualifies him from the Traditional IRA deduction. Instead, he should utilize a Backdoor Roth IRA to secure tax-free growth, as a Traditional IRA would offer him tax-deferred growth but no current tax break and a future tax bill on all earnings.





The Career Changer

Lisa, 35, left corporate law to start a nonprofit. Her income dropped from \$180,000 to \$75,000, putting her in the 22% bracket temporarily.

Roth Conversion Opportunity: This could be an ideal time to convert some Traditional IRA funds to Roth while in a lower tax bracket.

Advanced Strategies: Roth Conversions

Roth conversions allow you to move money from Traditional retirement accounts to Roth accounts, paying taxes on the converted amount. This strategy works well in specific situations:

Optimal IRA Conversion Timing

Opportunity	Strategic Benefit	Why it Works
Low-Income Years	Lower Tax Bracket	If you are between jobs, in early retirement, or have a temporary income reduction, you can convert funds at a lower marginal tax rate.
Market Downturns	Tax Savings on Rebound	Converting when portfolio values are depressed allows you to pay taxes on a smaller "base." Subsequent recovery happens tax-free inside the Roth.
Before Medicare (Age 65)	Avoid Premium Surcharges	Converting before age 65 avoids IRMAA surcharges, which can increase Medicare Part B and D premiums based on your reported income.

Advanced Strategies: Roth Conversions

Advanced Conversion Strategies

Strategy	Description
Bracket Management	Convert just enough to stay within your current tax bracket without jumping to the next level.
Multi-Year Planning	Spread conversions across multiple years to manage the tax impact and avoid a massive single-year tax bill.
Tax Diversification	Create a mix of tax-deferred and tax-free accounts for flexible retirement income planning based on future tax laws.

Income Limits and Workarounds

High earners face restrictions on both account types, but strategies exist to navigate these limits.

Backdoor Roth IRA

If your income exceeds Roth IRA limits, you can:

1. Contribute to a non-deductible Traditional IRA
2. Immediately convert it to a Roth IRA
3. Pay minimal taxes if done quickly

This strategy requires careful execution and works best when you don't have other Traditional IRA balances.

Mega Backdoor Roth

Some 401(k) plans allow after-tax contributions beyond the standard limit, which can then be converted to Roth. This advanced strategy can allow contributions far exceeding normal IRA limits.

Estate Planning Considerations

The choice between Roth and Traditional IRAs has significant estate planning implications.

Roth IRA Advantages

- No RMDs:** You're not forced to withdraw money, allowing maximum growth for heirs.
- Tax-Free:** Beneficiaries inherit tax-free accounts, though they must still take distributions over 10 years.
- Inheritance:** A \$500,000 Roth IRA is worth more to heirs than a \$500,000 Traditional IRA because of the tax differences.

Traditional IRA Considerations

- RMDs:** Forced distributions might conflict with your wealth transfer goals.
- Tax Burden:** Beneficiaries pay ordinary income tax on inherited Traditional IRA distributions.

The Hybrid Approach

You don't have to choose just one account type. Many retirement planners recommend a diversified approach using both Traditional and Roth accounts.

Benefits of Tax Diversification

Flexibility in Retirement: Having both tax-deferred and tax-free accounts gives you options for managing retirement tax brackets.

Hedge Against Uncertainty: You're protected whether tax rates go up or down.

Strategic Withdrawal Planning: You can optimize which accounts to tap first based on your situation each year.

Making Your Decision

Consider these key factors when choosing between Roth and Traditional IRAs:

Current vs. Future Tax Rates: What's your current marginal tax rate? What do you expect in retirement? Do you believe tax rates will increase generally?

Time Horizon: How many years until retirement? Longer time horizons favor Roth IRAs due to extended tax-free growth.

Retirement Income Sources: Will you have other taxable retirement income? Do you want tax diversification in retirement?

Estate Planning Goals: Do you plan to leave money to heirs? Is minimizing taxes for beneficiaries important?

Current Financial Situation: Do you need the immediate tax deduction? Can you afford to pay taxes upfront for future benefits?

Common Mistakes to Avoid

- **Focusing Only on Current Tax Rates:** Don't make decisions based solely on today's tax bracket. Consider your complete financial picture and future expectations.
- **Ignoring State Taxes:** State tax implications can significantly impact the Roth vs. Traditional decision, especially if you plan to move in retirement.
- **Procrastinating on Conversions:** Waiting too long to consider Roth conversions can mean missing optimal opportunities during lower-income years.
- **Overlooking the Five-Year Rule:** Each Roth conversion starts its own five-year clock for penalty-free withdrawals.



Conclusion

The choice between Roth and Traditional IRAs isn't just about taxes—it's about aligning your retirement accounts with your overall financial strategy. Traditional IRAs work best when you're in a high tax bracket now and expect lower taxes in retirement. Roth IRAs shine when you're in a lower bracket today or want tax-free income and estate planning benefits.

Most successful retirement plans incorporate elements of both strategies, creating tax diversification that provides flexibility regardless of what the future holds. The key is understanding how each account type fits into your specific situation, considering factors like current income, career trajectory, retirement timeline, and estate planning goals.

Given the complexity of these decisions and their long-term impact on your financial future, working with a qualified retirement planning professional can help ensure you're making choices that align with your complete financial picture.

Ready to determine which IRA strategy makes the most sense for your situation? Learn more and schedule a no-obligation IRA Evaluation with De Cesare Retirement Specialists (856) 235.3830 DeCesareRetirement.com.



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ABOUT STEVE DE CESARE

*CERTIFIED FINANCIAL PLANNER®
professional and President of De Cesare
Retirement Specialists*

A leading retirement transition specialist, Steve De Cesare, CFP®, is a second-generation financial planner who has spent the last decade of his career helping professionals transition into retirement with financial confidence.

His multi-disciplinary planning approach works to ensure that the investment, income, tax and estate strategies are in place to achieve each of his clients' financial and lifestyle goals for retirement. Steve specializes in offering guidance to corporate employees regarding their company sponsored retirement plans such as 401(k)s and pensions. He also advises on rollovers to and investment decisions within Individual Retirement Accounts (IRAs). Additionally, he helps employees who are facing workplace transition with the critical decisions and financial plan adjustments that need to be made to help ensure a smooth progression of their financial life as they enter into their next job or retirement.

Steve is a CFP® professional and Investment Advisor Representative of De Cesare Retirement Specialists, a Registered Investment Advisor. He is also licensed in life and health insurance in the states of New Jersey and Pennsylvania. Steve is a member of the Financial Planning Association (FPA) and a 14-year recipient of the Five Star Wealth Manager Award. As a financial resource, Steve has been quoted in numerous media outlets, including *USA Today*, *Money*, *The Washington Post*, *The Wall Street Journal*, and *Bankrate.com*.

Take the next step with confidence. Call Steve De Cesare, CFP® at De Cesare Retirement Specialists at 856.235.3830 or email info@DeCesareRetirement.com to schedule your no-obligation, complimentary consultation.



Roth IRA vs Traditional IRA Decision Worksheet

Name: _____

Date: _____

Step 1: Your Snapshot (Circle one)

Current marginal tax rate:

10% 12% 22% 24% 32% 35% 37%

Years until retirement: _____

Expected retirement tax rate:

Lower / Same / Higher

Do you have a workplace retirement plan?

Yes / No

Step 2: Score Your Situation (Check all that apply)

Traditional IRA Strengths (+1 point each)

- High tax bracket today
- Peak earning years
- Expect lower taxable income in retirement
- Want immediate tax deduction this year
- Shorter time horizon to retirement

Roth IRA Strengths (+1 point each)

- Lower/moderate tax bracket today
- Early- or mid-career with growing income
- Expect higher tax rates or brackets in retirement
- Long time horizon (15+ yrs) for tax-free growth
- Strong estate planning/legacy goals
- Want tax-free income & no RMDs

Total Traditional score: _____

Total Roth score: _____

Step 3: My Recommendation

Traditional wins → Consider maxing Traditional IRA + explore Roth conversions later.

Roth wins → Start or increase Roth contributions today (or Backdoor Roth if over income limits).

Tie or want both → Hybrid strategy is ideal — let's build your personalized mix.

Step 4: Next Action

- I'd like a complimentary IRA Strategy Review with Steve De Cesare, CFP®

Email: _____ Phone: _____

(Or scan/attach this sheet and email to info@DeCesareRetirement.com)

This worksheet is for educational purposes only. Schedule your no-obligation consultation for personalized advice.