Roth vs. Traditional IRAs

A coin rolls onto the screen and around two containers labeled Traditional and Roth. **Narrator:** "When it comes to saving for retirement, Uncle Sam gives you two options for your individual retirement account: traditional or Roth. Which type is right for you?"

A tire pump appears and starts pumping into the Roth container as the years 40, 39, 38, and 37 stream across the background. **Narrator:** "As a general rule, younger investors who are still many years away from retirement may want to choose a Roth account, since money in the account will have a long time to potentially grow tax free."

A bar chart appears showing tax brackets ranging from 10% to 37%, then multiple 12% bars appear in a different color. **Narrator:** "On the other hand, investors in a high tax bracket who anticipate a significantly lower tax rate in retirement may opt for a traditional IRA."

The following table appears.

Traditional IRA -- Potential Deductibility of Contributions		
2025 deductibility phaseout ranges – adjusted gross income (AGI)		
	Single or head of household	**Married filing jointly**
You and your spouse do not participate in a workplace plan	*Full deduction*	*Full deduction*
You (or you and your spouse) participate in a workplace plan	*$79,000 to $89,000*	*$126,000 to $146,000*
Your spouse participates in a workplace plan (you do not)	*Not Applicable*	*$236,000 to $246,000*

Narrator: "With a traditional account your contributions are generally tax deductible, depending on your income level and whether you or your spouse participate in a workplace retirement savings plan."

The container labeled Traditional reappears, with coins being deposited into it, and the word Tax cutting away at the bottom. **Narrator:** "If you meet certain conditions, you pay no taxes on amounts you contribute each year. And you pay no tax on any earnings in your account."

The Traditional container turns upside down and coins fall out. The coins are missing a section, illustrating the taxes paid on money withdrawn. **Narrator:** "Taxes aren't due on earnings or deductible contributions until you take withdrawals."

The container labeled Roth reappears, with coins being deposited into it, and the word Tax cutting away at the bottom. The coins are missing a section, illustrating the taxes paid on the *money contributed.* **Narrator:** “With a Roth account, your contributions are made after tax. So you pay taxes on today’s contributions.”

The Roth container turns upside down and coins fall out. **Narrator:** “But your account earnings grow tax free, and qualified withdrawals at retirement are also tax free.”

The container labeled Traditional reappears next to a birthday cake. The container turns upside down and several of the coins that are missing a section fall out for year 1, year 2, and year 3. **Narrator:** “With a traditional IRA, you must generally begin taking distributions no later than age 73, at which point you will be required to withdraw a specific minimum amount from your account each year. These rules do not apply to Roth accounts during the owner’s lifetime.”

The following table appears showing Traditional and Roth IRA limits.

Traditional IRA 2025 Limits
CONTRIBUTIONS
Less than age 50: $7,000
Greater than age 50: $8,000
AGI PHASE-OUT
None
None

Roth IRA 2025 Limits
CONTRIBUTIONS
Less than age 50: $7,000
Greater than age 50: $8,000
AGI PHASE-OUT
Single or head of household: $150,000 to $165,000
Married filing jointly: $236,000 to $246,000

Narrator: “Both types of accounts carry the same annual contribution limits, although Roth contributions also have income limits.”

A coin appears under the number 59 and a half. The coin then transforms to a pie chart and two segments are removed. **Narrator:** “And withdrawals before age 59 and a half from either a traditional or Roth account may involve taxes, penalties, or both.”

The two containers labeled Traditional and Roth reappear, and the background morphs into a beach with chaise lounges and a palm tree. **Narrator:** “Whichever type of IRA you choose, remember that the sooner you start contributing, the more you’ll save in taxes and the better prepared you’ll be for retirement. So start saving today!”