

RETIREMENT PLANNING GUIDE · 2026

# Traditional vs. Roth 401(k)

## Choosing the Right Plan for Your Financial Life

Your employer may offer both a Traditional and a Roth 401(k). Both are powerful retirement savings vehicles — but they're taxed differently, and choosing between them is one of the most consequential decisions in your financial life.

OVERVIEW

### What's the Difference?

#### TRADITIONAL 401(K)

- > Contributions are **pre-tax** — reduces your taxable income today
- > Money grows tax-deferred inside the account
- > Withdrawals in retirement taxed as ordinary income
- > Best when you expect a lower tax rate in retirement

#### ROTH 401(K)

- > Contributions are **after-tax** — no immediate tax break
- > Money grows tax-deferred inside the account
- > Qualified withdrawals in retirement are federal tax-free
- > Best when you expect a higher tax rate in retirement

IRS GUIDELINES

### 2026 Contribution Limits

Contributor	Annual Limit	Notes
<b>Employee (under age 50)</b>	\$24,500	Combined limit across all 401(k) plan types
<b>Catch-up (age 50-59)</b>	+\$8,000 = \$32,500	Standard catch-up contribution
<b>Enhanced catch-up (age 60-63)</b>	+\$11,250 = \$35,750	New higher limit under SECURE 2.0 Act
<b>Catch-up (age 64+)</b>	+\$8,000 = \$32,500	Returns to standard catch-up amount at age 64
<b>Employer match</b>	Pre-tax or Roth (employer choice)	SECURE 2.0 allows employers to offer Roth matching, but most continue to match pre-tax. Roth match grows tax-free; pre-tax match is taxable upon withdrawal.

## Key Differences at a Glance

Feature	Traditional 401(k)	Roth 401(k)
<b>Contributions</b>	Pre-tax	After-tax
<b>Current tax impact</b>	Reduces taxable income now	No current tax benefit
<b>Withdrawals after 59½</b>	Taxed as ordinary income	Federal tax-free (if qualified)
<b>Required Minimum Distributions</b>	Begins at age 73	Age 73 — or avoid via Roth IRA rollover
<b>Best for</b>	Expect lower tax rate in retirement	Expect higher tax rate in retirement

### IMPORTANT RULES

## What Makes a Roth 401(k) Withdrawal "Qualified"?

### 1

#### Five-Year Rule

The account must have been open for at least five years. The five-year period begins January 1 of the year you first contribute — regardless of when during that year the contribution was made.

### 2

#### Age or Qualifying Event

You must be at least age 59½, disabled, or deceased. If both conditions are met, your withdrawal is federally income tax-free. If not, only the earnings — not your contributions — are subject to income tax.

#### RMDS — UPDATED UNDER SECURE 2.0

RMDS from both Traditional and Roth 401(k)s now begin at age 73. However, rolling your Roth 401(k) into a Roth IRA before RMDS begin eliminates the RMD requirement during your lifetime — a significant estate planning advantage. Talk to your advisor about whether a Roth IRA rollover makes sense for your strategy.

## Which Is Right for You?

### TRADITIONAL MAY BE BETTER IF:

- > You need to reduce your tax bill today
- > You expect a lower tax bracket in retirement
- > You want to maximize pre-tax deferrals now
- > Your employer doesn't match Roth contributions

### ROTH MAY BE BETTER IF:

- > You expect a higher tax rate in retirement
- > You can afford the full after-tax contribution
- > You want federal tax-free income in retirement
- > You're focused on estate planning or avoiding RMDs

### WHEN IN DOUBT — DIVERSIFY YOUR TAX EXPOSURE

Holding both Traditional and Roth accounts gives you flexibility to manage taxable income in retirement — drawing from pre-tax or after-tax sources depending on your situation each year. This optionality is often more valuable than optimizing for a single tax scenario today.

## PORTABILITY

### Rollover Options

#### Rolling FROM a Traditional 401(k)

- ✓ To a Traditional IRA — tax-free rollover
- ✓ To a Roth IRA — taxable conversion (pre-tax dollars included in income)
- ✓ To another Traditional 401(k) — if new employer accepts
- ✓ To a Roth 401(k) — intra-plan conversion, pre-tax dollars taxed

#### Rolling FROM a Roth 401(k)

- ✓ To a Roth IRA — tax-free; five-year clock restarts at IRA
- ✓ To another Roth 401(k) — trustee-to-trustee; five-year period carries over
- ✓ Cannot roll to a Traditional IRA or Traditional 401(k)

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