STERK FINANCIAL SERVICES
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How to Decide Between These Two Retirement Accounts.

(Prefer to listen rather than read? Check out our video 401k Education!)

As far as retirement accounts go, if your employer offers a 401(k) program, it's a great idea for you to plop your investment dollars there 99% of the time. Some plans even offer a Roth 401(k) in addition to a traditional 401(k). If yours is one of them, you'll want to take some time to figure out the best fit for your needs.

The biggest difference in these two accounts is when your money is taxed. With a traditional 401(k), the greater tax benefit occurs now, since the money you contribute is taken pre-tax, thereby lowering your taxable income. Instead, you'll be taxed later, when you withdraw money from the account.

A Roth 401(k) offers you a greater tax benefit later. The money you contribute to these accounts is taxed at the time of contribution, meaning it grows tax-free in the account. Knowing which tax bracket you're in now versus which you'll be in at retirement is the biggest factor to consider when you're making this choice. If you're expecting to be in a higher tax bracket in your retirement years, then a Roth 401(k) that's taxed now rather than later might get you the largest bang for your buck.

If you're currently facing this decision, let's brainstorm it together so we can be certain you make the right choice.