



Traditional IRA vs. Roth IRA: Which Is Right for You?

Understanding the differences between a traditional IRA and Roth IRA can help you decide which is best for you.

IRAs are one of the most powerful ways to save for retirement. And that’s important because only 21% of workers are very confident they’ll have enough money in retirement.¹ You may have heard the terms traditional IRA and Roth IRA, but what’s the difference? And which of them may be right for you?

Traditional IRA

You can save money through a traditional IRA as long as you have earned income for the calendar year that you declare to the IRS. The maximum contribution amount for 2025 is \$7,000, but those age 50 or older can contribute an additional \$1,000 beginning in the calendar year they turn 50 for a total of \$8,000.

You may be able to claim all or part of your contribution to a traditional IRA as a tax deduction depending on how much you earn. If *neither* you nor your spouse is covered by a retirement plan at work, you can deduct the full amount of your contribution. If *either* you or your spouse is covered by a retirement plan at work, then you may be limited to a partial deduction or no deduction at all (FIGURE 1).

FIGURE 1

Traditional IRA Deductibility Based on Income and Filing Status if Either Spouse Is Covered by a Retirement Plan

If Your Filing Status Is...	And Your Modified Adjusted Gross Income Is...	Then You Can Take...
Single or Head of Household	≤ \$79,000	A full deduction up to the amount of your contribution limit
	> \$79,000 but < \$89,000	A partial deduction
	≥ \$89,000	No deduction
Married Filing Jointly or Qualifying Widow(er)	≤ \$126,000	A full deduction up to the amount of your contribution limit
	> \$126,000 but < \$146,000	A partial deduction
	≥ \$146,000	No deduction
Married Filing Separately	< \$10,000	A partial deduction
	≥ \$10,000	No deduction

If you file separately and did not live with your spouse at any time during the year, your IRA deduction is determined under the “Single” filing status.

Source: IRS.gov, 2024

Traditional IRAs are intended to be a way to save for retirement, so the IRS assesses a 10% penalty if you withdraw money prior to age 59½ from a traditional IRA, and the amount you withdraw is added to your taxable income for the year. There are, however, a few exceptions that allow you to withdraw money prior to 59½ without incurring tax penalties:

- Unreimbursed medical expenses that exceed 10% of adjusted gross income
- A withdrawal of up to \$10,000 for individuals (\$20,000 for couples) for a first home purchase
- Withdrawals due to a documented disability
- Substantially equal payments under rule 72(t) that require withdrawals for the later of five years or until you reach age 59½
- College and vocational school costs such as tuition, fees, books, and supplies; room and board is also allowed if the student is at least a half-time student. (Note: Although withdrawals are exempt from the 10% penalty, they're considered taxable income and may impact financial aid.)

The maximum contribution amount for both traditional and Roth IRAs is \$7,000 in 2025; \$8,000 for those age 50 and older.

Roth IRA

The contribution limit for Roth IRAs in 2025 is the same as for traditional IRAs: \$7,000 for people younger than 50 and \$8,000 for those age 50 and older. In order to contribute, you need to meet the income thresholds illustrated in **FIGURE 2**.

FIGURE 2
Roth IRA Income Limits

If Your Filing Status Is...	And Your Modified Adjusted Gross Income Is...	Then You Can Contribute...
Married filing jointly or qualifying widow(er)	< \$236,000	\$7,000; \$8,000 if age 50 and older
	≥ \$236,000 but < \$246,000	A reduced amount
	≥ \$246,000	Not eligible
Married filing separately and you lived with your spouse at any time during the year	< \$10,000	A reduced amount
	≥ \$10,000	Not eligible
Single, head of household, or married filing separately and you did not live with your spouse at any time during the year	< \$150,000	\$7,000; \$8,000 if age 50 and older
	≥ \$150,000 but < \$165,000	A reduced amount
	≥ \$165,000	Not eligible

Source: IRS.gov, 2024

While contributions to a traditional IRA are tax-deductible subject to the income limits discussed above, contributions to a Roth IRA are funded with after-tax dollars and are not tax-deductible. In exchange for forgoing that tax deduction now, your investment will grow tax-free.

For example, if you contribute \$7,000 per year to an IRA beginning at age 40 for the next 25 years, you'd end up with \$604,455 at age 65 assuming a hypothetical 8% annual growth rate. If you made these investments in a traditional IRA, any withdrawals you make would be taxable income. By contrast, if you made these investments in a Roth IRA, you wouldn't owe *any* taxes when you begin taking withdrawals.

Another way to think of contributions to a Roth IRA vs. a traditional IRA is *taxes now vs. taxes later*. Would you rather get a tax deduction *now* for contributing to a traditional IRA and pay taxes on the money *later* when you begin making withdrawals? Or would you rather skip getting the tax deduction *now* with a Roth IRA so you don't need to pay taxes *later* when your investment has hopefully grown significantly due to compounding?

FIGURE 3
Traditional IRA vs. Roth IRA: What's the Difference?

	Traditional IRA	Roth IRA
Contribution Limit (2025)	\$7,000; \$8,000 for age 50 and older	\$7,000; \$8,000 for age 50 and older
Taxes	Tax-deductible subject to income limits; investment grows <i>tax-deferred</i>	Funded with after-tax dollars (not tax-deductible); investment grows <i>tax-free</i>
Required Minimum Distributions (RMDs)	Began at age 72 in 2020; increased to age 73 in 2023; will increase to 75 in 2033	No RMDs for account owner but beneficiaries would be required to take RMDs

Source: Hartford Funds

There are a few other attributes that make a Roth IRA an interesting option for those who are eligible to have one:

- You can withdraw your *contributions* at any time without paying a penalty. The taxability of *earnings* on those contributions depends on your holding period and other factors, so you should discuss this with your tax professional.
- You don't need to take required minimum distributions (RMDs) from a Roth IRA if you're the account owner, but your beneficiaries would need to take RMDs if they inherit the account from you.
- You can withdraw money prior to age 59½ for the same reasons listed above for a traditional IRA (e.g., first-time home purchase, rule 72(t), and college/vocational school costs).

Your financial professional can help you decide if a traditional IRA or Roth IRA is right for you.

Should I Invest in an IRA or 401(k)?

If your company offers a 401(k) with a company match, in most cases it makes sense to contribute enough money to take advantage of that match. For example, if your company matches contributions \$.50 on the dollar up to 6% of contributions, you should consider contributing at least 6% through your 401(k) to get the full company match.

Once you contribute enough money to qualify for the company match, you should talk to your financial professional and tax professional to determine whether it makes sense to maximize your contributions to a 401(k) vs. an IRA. Some things to consider include:

- What are the underlying expenses for the investment options in the 401(k) vs. an IRA?
- Does the 401(k) offer a good selection of investment options, or are those options fairly limited?
- Should you use an IRA to gain access to investments or asset classes that aren't part of your 401(k)?
- If your income is high, should you contribute a portion of your money to a Roth 401(k) if your plan offers this feature?

To learn more about IRAs, please talk to your financial professional and tax professional.

¹ Source: EBRI 2024 Retirement Confidence Survey

Important Risks: Investing involves risk, including the possible loss of principal.

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