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

Saving for retirement is one of the most important parts of financial planning—and the earlier you start, the better. One of the most common questions we hear at **Landis Wealth Management** is:

"Should I put my money into a Roth IRA or a Traditional IRA?"

Both are excellent tools for building long-term savings, but they work very differently when it comes to **taxes, income eligibility, and withdrawals in retirement**. Knowing the difference can help you make smarter decisions today that pay off years down the road.

Contribution Limits: How Much Can You Put In?

For 2025, both Roth and Traditional IRAs have the **same contribution limits**:

- Up to **$7,000 per year** if you're under 50.
- Up to **$8,000 per year** if you're 50 or older (thanks to the $1,000 "catch-up" rule).

These limits apply across both account types. So if you put $4,000 into a Traditional IRA, you could only put $3,000 into a Roth that year.

Key difference:

- Anyone with earned income can open a **Traditional IRA**, but whether your contributions are *tax-deductible* depends on your income and whether you (or your spouse) have a 401(k) or other employer plan.
- **Roth IRAs** have income restrictions. For 2025, single filers earning less than $150,000 (and married couples under $236,000) can contribute fully, with partial contributions allowed just above those levels.

If your income is too high for a Roth, there are still strategies like a **backdoor Roth conversion**, which we often help clients evaluate.

Traditional IRA distributions are taxed as ordinary income. Qualified Roth IRA distributions are federally tax-free, provided it has been more than five years since the Roth IRA was funded AND the owner is at least age 59 ½ or disabled, or using the first-time homebuyer exception, or taken by their beneficiaries due to their death. Qualified Roth IRA distributions are not subject to state and local taxation in most states. Distributions from Traditional and Roth IRAs may be subject to an IRS 10% additional tax if distributions are taken prior to age 59 ½.

The Core Difference: When You Pay Taxes

This is where Roth and Traditional IRAs truly diverge:

- **Traditional IRA**: You may get a **tax deduction today** on contributions (lowering your taxable income now). The trade-off? You'll pay taxes later when you take the money out in retirement. All withdrawals are taxed as regular income.
- **Roth IRA**: You contribute with **after-tax dollars** (no deduction today), but in retirement, both your contributions *and your investment growth* can be withdrawn **100% tax-free**.

Think of it this way:

- Traditional = tax break today, taxes later.
- Roth = taxes today, tax-free forever later.

Which one's better? It depends on whether you expect your **tax rate** to be higher now or in retirement.

Withdrawals and Retirement Rules

- **Traditional IRA**: At age 73, you're required to start taking **Required Minimum Distributions (RMDs)** whether you need the money or not, and those withdrawals are taxable.
- **Roth IRA**: No RMDs during your lifetime. The money can continue to grow tax-free as long as you want.

This makes Roth IRAs especially valuable for those who want **flexibility in retirement** or plan to leave assets to heirs.

Pros & Cons at a Glance

Traditional IRA – Pros

- Tax deduction now (helps high earners).
- Lower taxable income in the current year.

Traditional IRA – Cons

- All withdrawals taxed in retirement.
- RMDs force withdrawals starting at 73.

Roth IRA – Pros

- Tax-free withdrawals in retirement.
- No RMDs (flexibility and estate-friendly).
- Contributions (not earnings) can be pulled out anytime with no penalty.

Roth IRA – Cons

- No upfront deduction.
- Income limits restrict who can contribute directly.

Which Is Right for You?

- If you're **early in your career** and expect your income to rise, a **Roth IRA** often makes sense—pay lower taxes now and enjoy tax-free withdrawals later.
- If you're in your **peak earning years** and want to reduce your taxable income, a **Traditional IRA** may provide more immediate value.
- If you want to hedge your bets, a **mix of both** can provide tax diversification in retirement.

How Landis Wealth Management Can Help

Choosing between a Roth and Traditional IRA isn't just about today—it's about where your taxes, income, and retirement needs may be **10, 20, or even 30 years from now**. That's where we come in.

At **Landis Wealth Management**, we help clients:

- Determine which IRA structure best fits their current income and long-term goals.
- Run projections showing how Roth vs. Traditional contributions could impact future retirement income.
- Explore strategies like **Roth conversions** during lower-income years.
- Integrate IRA contributions with other retirement accounts (401(k)s, pensions, etc.) for a complete plan.
- Align retirement savings with estate and legacy planning.

Final Word

Both Roth and Traditional IRAs can be powerful tools—but which one works best depends on your personal situation. By making the right choice today, you can reduce taxes, increase flexibility, and build a stronger retirement plan.

If you'd like to see which IRA fits your goals, the team at **Landis Wealth Management** would be happy to walk you through the options and create a strategy tailored to your future.