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Roth 401(k) vs. Pre-Tax 401(k): What's the Difference?

Understanding the differences between a Roth 401(k) and a traditional, pre-tax 401(k) account can help you get the most out of your benefits.[1]

	Roth 401(k)	Pre-Tax 401(k)
Contributions	Designated Roth employee elective contributions are made with after-tax dollars	Traditional, pre-tax employee elective contributions are made with before-tax dollars
Income Limits	No income limit to participate	No income limit to participate
Maximum Elective Contribution[2]	Aggregate employee elective contributions limited to $22,500 in 2023, plus an additional $7,500 for employees age 50 or older[3]	Same aggregate limit as Roth 401(k)
Taxation of Withdrawals	Withdrawals of contributions and earnings aren't taxed if it's a qualified distribution, i.e., the account is held for at least 5 years and the distribution is made due to: • Death • Disability, or • Reaching 59½ or older	Withdrawals of contributions and earnings are subject to federal and most state income taxes
Required Minimum Distributions	No requirement to start taking distributions while owner is alive, starting January 1, 2024	Distributions must begin no later than age 73 starting January 1, 2023, increasing to age 75 beginning on January 1, 2033

Your financial professional can help you understand which account or combination of accounts is right for you.

Source: IRS, Roth Comparison Chart, last reviewed on 8/08/2023.

[1]Please check with your plan administrator for plan options.

[2]This limitation is by individual, rather than by plan. You can split your annual elective deferrals between designated Roth contributions and traditional pre-tax contributions, but your combined contributions can't exceed the deferral limit: $22,500 in 2023 ($30,000 in 2023 if you're eligible for catch-up contributions).

[3]Beginning after December 31, 2025, those earning $145,000 in FICA wages for the previous year must direct their catch-up contributions to a Roth account.

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