

ROTH 401(K)s FOR BUSINESSES

What makes this such a prime retirement planning tool?

provided by Arcade Wealth Advisors

Why are more businesses offering Roth 401(k)s? Simply put, more firms are recognizing their advantages - especially when it comes to the retirement planning of professionals, business owners and executives.

Tax-free growth. Roth 401(k) assets grow without being taxed, as employee contributions are made with after-tax dollars. When you withdraw the money in retirement, you don't pay taxes on it - provided you've owned the account for 5+ years and are 59½ or older when you start withdrawing.¹

With this tax-free growth, a Roth 401(k) can help professionals, business owners and executives save more to get their retirement planning back on track.

No income limitations. Income limits prevent high-salaried individuals from having a Roth IRA. There are no income barriers preventing you from having a Roth 401(k).¹

No required withdrawals. You don't have to withdraw money from a Roth 401(k) at age 70½, unlike with a traditional 401(k).²

Higher contribution limits than a Roth IRA. How much can you put into a Roth IRA? In 2009, the answer is \$5,000, \$6,000 if you are 50 or older. How much can you put into a Roth 401(k)? Much more. For 2009, the contribution limit is \$16,500 (\$22,000 for those 50 or older).¹

A rollover option. If you leave a business where you have a Roth 401(k), you can roll the money over into a Roth IRA to maintain tax-free growth.¹

An especially tax-smart move. Keep in mind, the federal government recently decided to spend more than a trillion dollars it didn't have. Taxpayers will probably bear the cost in the future - particularly the highest-earning taxpayers. The government also needs to fund Social Security and Medicare in coming years. So who knows how high tomorrow's taxes may be.

What would you rather pay - today's taxes or tomorrow's taxes? With all this financial pressure on the government, the consensus is that tax rates will go up. So as you save for retirement, isn't it wise to have a Roth 401(k) that will let you pay taxes on your retirement savings today, rather than tomorrow?

Join the trend. A 2008 Grant Thornton survey of 186 companies sponsoring retirement plans found that 22% offered Roth 401(k)s, up from 12% in 2007 - and 19% more said they were considering Roth 401(k)s. Employer matches can be made to these accounts with pre-tax dollars.²

Is your business offering the Roth 401(k)? It may be time. Owners, executives and professionals are among the highest-earning Americans - the Americans who have the greatest need for their retirement savings to grow tax-free.

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Citations.

¹ smartmoney.com/personal-finance/retirement/understanding-the-roth-401k-17679/ [1/22/09]

² moneywatch.bnet.com/saving-money/article/the-rockin-tax-free-roth/277182/ [6/25/09]