

# Recognizing the Difference Between Roth IRA & Traditional IRA

**Directions:** Go through the list of IRA retirement account characteristics, look them up, and decide whether it applies to a Roth or Traditional IRA. Then, assign each characteristic's number to the right box/boxes (some may fit into more than one box) in the table at the bottom of the page. Number 1 is done for you.

- 1. Allows you to make after-tax contributions—you don't pay tax now so you don't have to pay when you retire.
- 2. Best suited for people who plan to be making more/in a higher tax bracket at the age of retirement.
- 3. For anyone that earns money.
- 4. No contributions are taxed, so nothing is deducted from yearly income when filing taxes.
- 5. Contributions are taxed and won't be counted as earned income when filing taxes.
- 6. Allows you to make pre-tax contributions—you don't pay tax now, but you'll pay it later when you retire.
- 7. People must earn less than a certain income level to open this account.
- 8. Has a max contribution for each year.
- 9. Penalty and tax-free withdrawals after the account has been opened for at least five years and the account holder has turned 59 ½.
- 10. An account meant for people who predict they'll make less money in the future.
- 11. Penalty-free withdrawals but counted as taxed income after the account holder has turned 59 ½.

	Traditional	Roth
IRA	<div><div><u>3</u> , <u>5</u> , <u>6</u></div><div><u>8</u> , <u>10</u> , <u>11</u></div></div>	<div><div><u>1</u> , <u>2</u> , <u>4</u></div><div><u>7</u> , <u>8</u> , <u>9</u></div></div>