

Tax Education:

Pre-tax vs. Roth Explained

Presented by:

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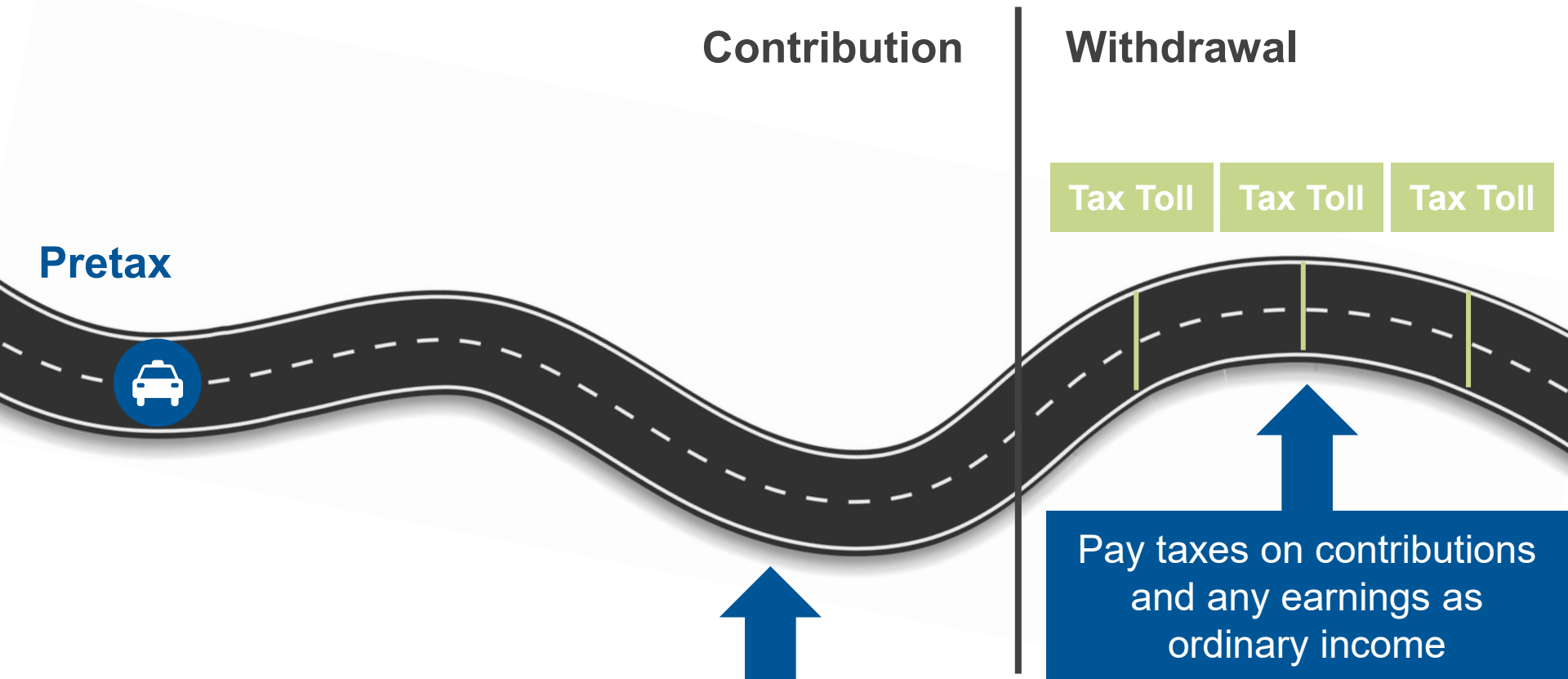
Disclaimer

I am not a CPA or a tax advisor. Please consult your own tax advisor when considering the following material.

Everyone's situation is unique and nuanced. What may be applicable to some is not applicable to others.

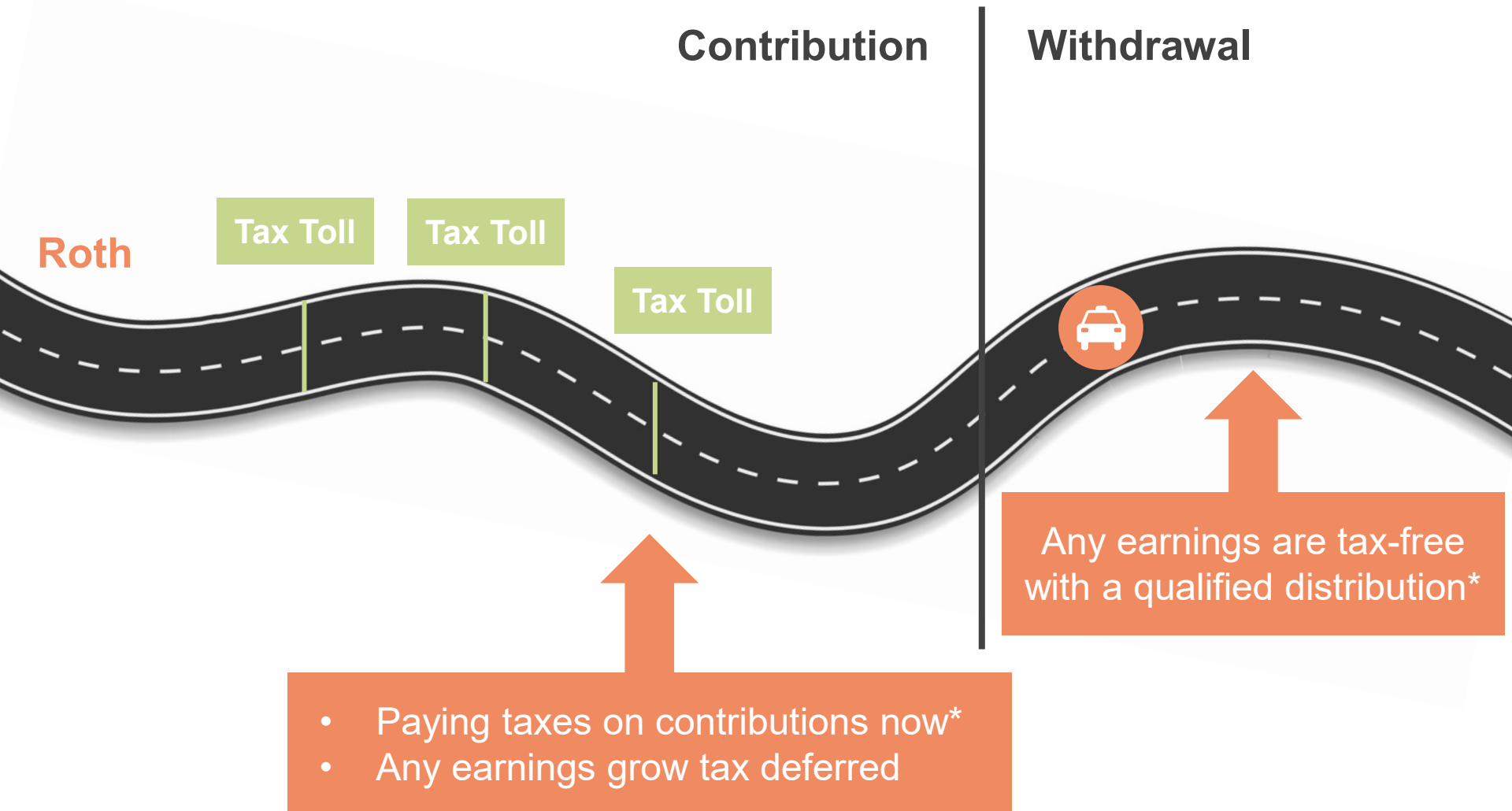
Pre-tax vs Roth Explained

Pre-tax (aka Traditional)

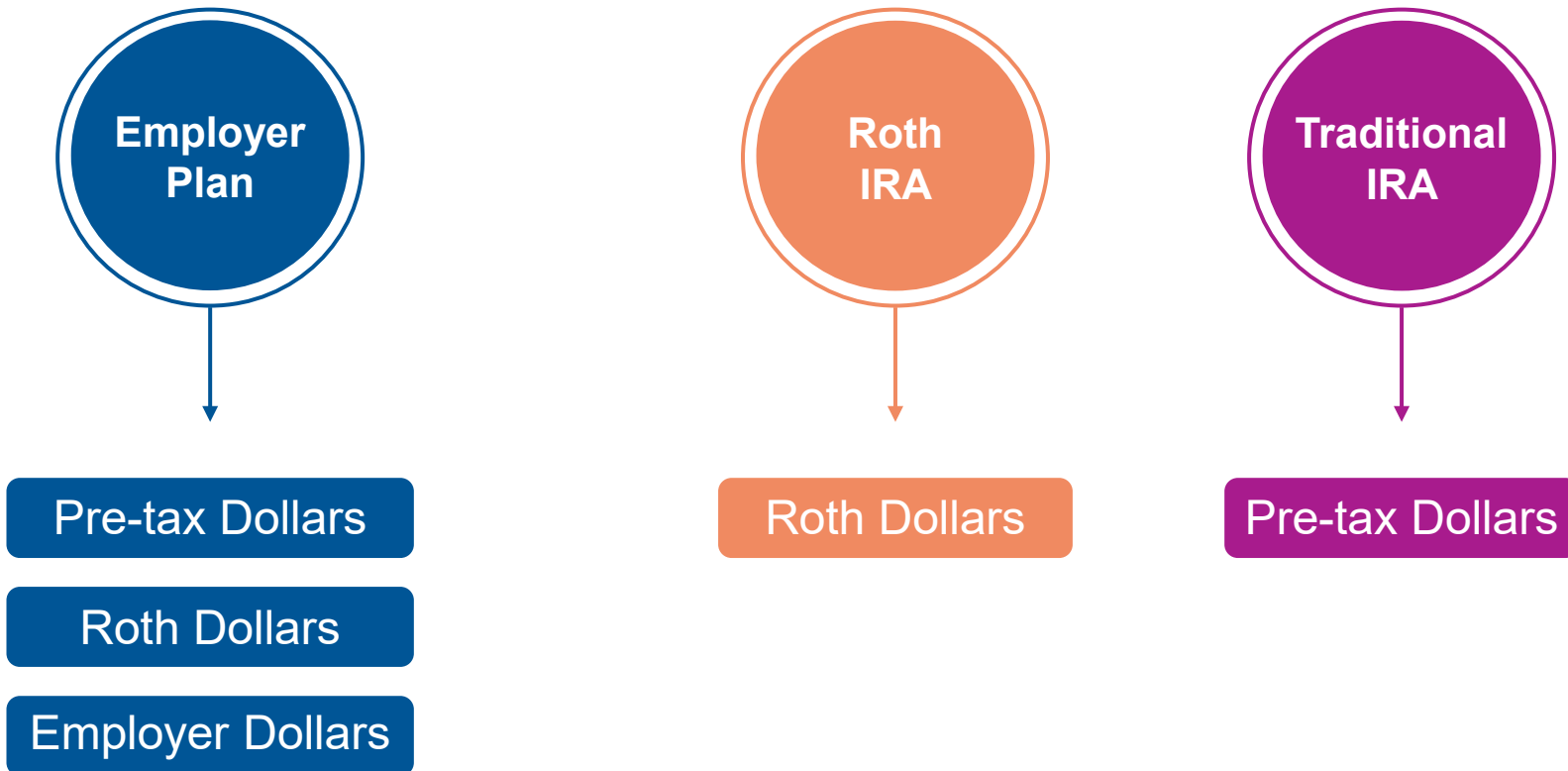


- Potentially lower your current taxable income
- May mean more money in your pocket today
- Any earnings grow tax deferred

Roth



Vehicles for Retirement Savings



Pre-tax vs Roth Retirement Plan Contributions

Roth

Pre-Tax (Traditional)

Contributions	After-tax				Tax Deductible		
Distributions	"Qualified" = Tax Free				Taxed Upon Withdrawal		
Investment Earnings	Tax Free ¹				Tax-deferred		
Income Limits	N/A						
Contribution Limits	\$24,500 Age 50+: \$32,500 Age 60 – 63: \$35,750 Starting in 2026, individuals who earned \$150K+ in 2025 must make catch-up contributions as Roth contributions						
Federal Tax Bracket	10%	12%	22%	24%	32%	35%	37%

¹ A participant must satisfy the 5-year holding period and either attain age 59½, die or become disabled in order to be eligible to receive a tax-free, qualified Roth distribution. Ordinary income taxes due upon withdrawal. Withdrawals before the age of 59½ may be subject to an early distribution penalty of 10%.

Pre-tax vs Roth IRA

Traditional Pre-tax

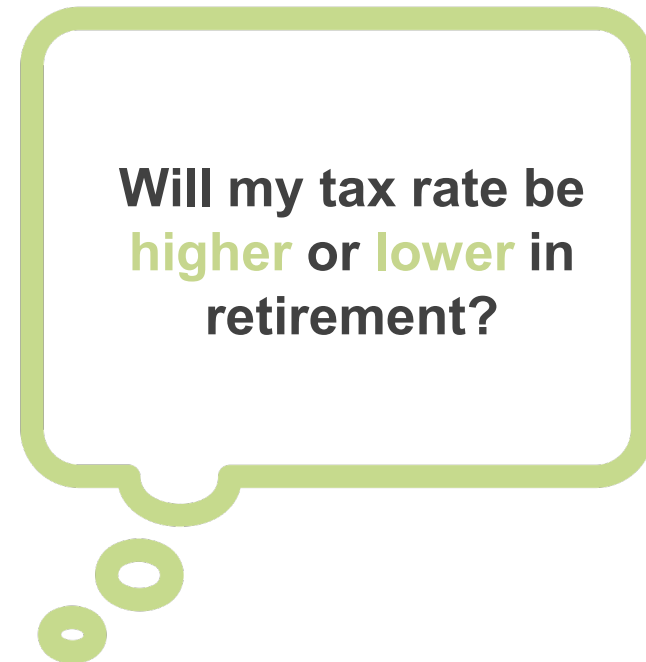
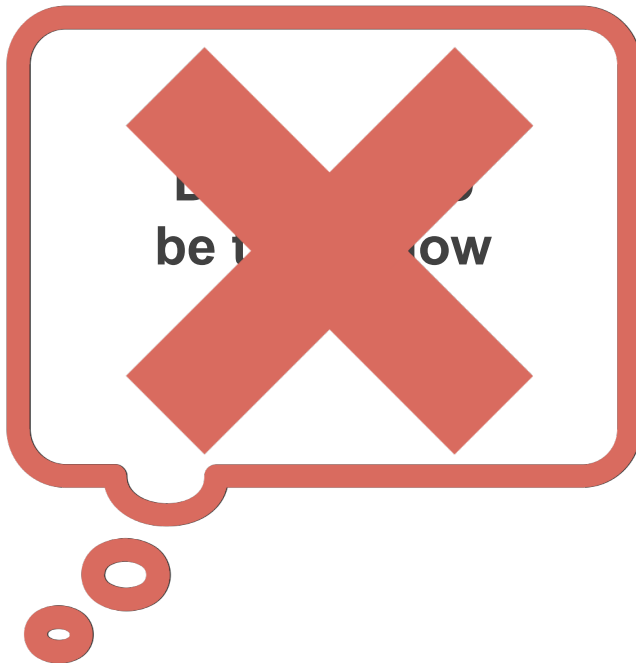
Roth

Contributions	Pre-tax	After-tax
Distributions	Taxed upon withdrawal	"Qualified" = Tax free
Investment Earnings	Tax deferred	Tax free
Income Limits	<u>Participant in Employer Plan:</u> \$129 - \$149k (MFJ) \$81k - \$91k (Single) <u>Nonparticipant married to participant:</u> \$242k – \$252k	<u>Participant in Employer Plan:</u> \$242k – 252k(MFJ) \$153k - \$168k (Single)
Contribution Limits	\$7,500 Age 50+: \$8,600	

1 An individual must satisfy the 5-year holding period and either attain age 59½, die or become disabled in order to be eligible to receive a tax-free, qualified Roth distribution.

2 Ordinary income taxes due upon withdrawal. Withdrawals before the age of 59½ may be subject to an early distribution penalty of 10%.

What Is THE Question to Answer



Understanding US Tax Code

US Tax Code

Generating income will likely result in a tax return for the following entities:



Federal government



State government



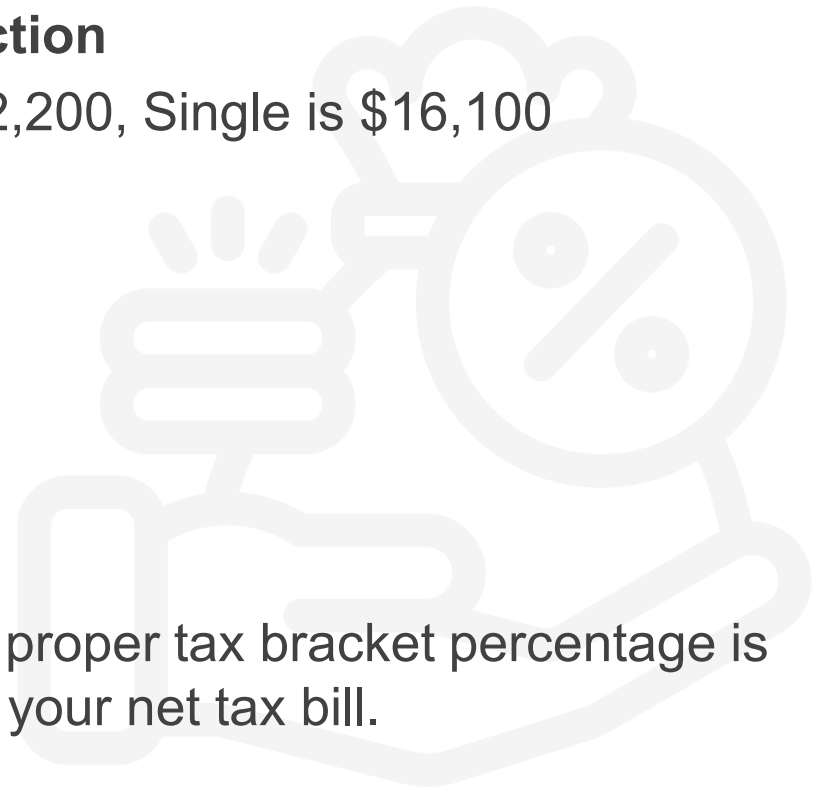
Local government

- Each person is responsible for filing their own tax return
- Understanding the system gives you potential to reduce your tax bill

Calculating Taxable Income

- 1) **Add up all sources of income:** wages, salary, tips, interest from investments, etc.
- 2) **Subtract “above the line” adjustments** such as traditional 401(k)/403(b) or IRA contributions, student loan interest, etc.
- 3) **Subtract itemized or standard deduction**
 - 2026 standard deduction: MFJ is \$32,200, Single is \$16,100
 - Itemized deductions may include:
 - Mortgage interest
 - State and local taxes
 - Charitable donations
 - Educational expenses
 - Medical expenses

Once taxable income is calculated and the proper tax bracket percentage is applied, you may apply tax credits to lower your net tax bill.



2026 Federal Income Tax Brackets- Single Filers

Tax Rate	Taxable Income Bracket	Tax Owed
10%	\$0 to \$12,400	10% of taxable income
12%	\$12,401 to \$50,400	\$1,240 plus 12% of the amount over \$12,400
22%	\$50,401 to \$105,700	\$5,800 plus 22% of the amount over \$50,400
24%	\$105,701 to \$201,775	\$17,966 plus 24% of the amount over \$105,700
32%	\$201,776 to \$256,225	\$41,024 plus 32% of the amount over \$201,775
35%	\$256,226 to \$640,600	\$58,448 plus 35% of the amount over \$256,225
37%	\$640,601 or more	\$192,979.25 plus 37% of the amount over \$640,600

2026 Federal Income Tax Brackets- Married Filing Joint

Tax Rate	Taxable Income Bracket	Taxes Owed
10%	\$0 to \$24,800	10% of taxable income
12%	\$24,801 to \$100,800	\$2,480 plus 12% of the amount over \$24,801
22%	\$100,801 to \$211,400	\$11,600 plus 22% of the amount over \$100,800
24%	\$211,401 to \$403,550	\$35,932 plus 24% of the amount over \$211,400
32%	\$403,551 to \$512,450	\$82,048 plus 32% of the amount over \$403,550
35%	\$512,451 to \$768,700	\$116,896 plus 35% of the amount over \$512,450
37%	\$768,701 or more	\$206,583.50 plus 37% of the amount over \$768,700

Apples to Apples Comparison

Impact to Take Home Pay

	Pre-tax	Roth
Salary	\$ 100,000	\$ 100,000
Your Contribution	\$ 10,000	\$ 10,000
Taxable Income	\$ 90,000	\$ 100,000
Taxes Due (20% rate)	\$ 18,000	\$ 20,000
Take Home Pay	\$ 72,000	\$ 70,000

Apples to Apples Comparison

Tax Rate	20%
Assumed Annual Rate of Return	10%
Annual Contribution	\$10,000

	Year 1	Year 2	Year 3	Year 4	Year 5	Tax Bill	Net Amount
Pre-tax	\$ 10,000	\$ 21,000	\$ 33,100	\$ 46,410	\$ 61,051	\$ 12,210	\$ 48,841
Tax Savings Invested*	\$ 2,000	\$ 4,200	\$ 6,620	\$ 9,282	\$ 12,210	\$ 0	\$ 12,210
Total							\$ 61,051
Roth	\$ 10,000	\$ 21,000	\$ 33,100	\$ 46,410	\$ 61,051	\$ 0	\$ 61,051
Total Tax Paid	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000		
Total							\$ 61,051

Strategies

Roth Conversions

You are allowed to convert pre-tax monies into Roth monies

Most IRA custodians allow this, few 401k plans allow this

*The amount converted will count towards taxable income

Back Door Roth IRA Contributions

Open a Traditional IRA

Ensure there is a zero balance

Fund the traditional IRA but do not take the tax deduction

Convert the amount into your Roth IRA

*If your Traditional IRA or any Traditional IRA that you own has a balance greater than \$0, it may cause some of your money to get taxed twice

10% to 12% bracket

Roth 401k or Roth IRA contributions

Consider Roth conversions*

*Roth conversions can potentially cause Medicare premiums to increase if over the age of 65.

22% or 24% Bracket

Roth and/or Pre-tax 401k contributions

Roth IRA or back door Roth IRA contributions

Roth conversions (potentially)*

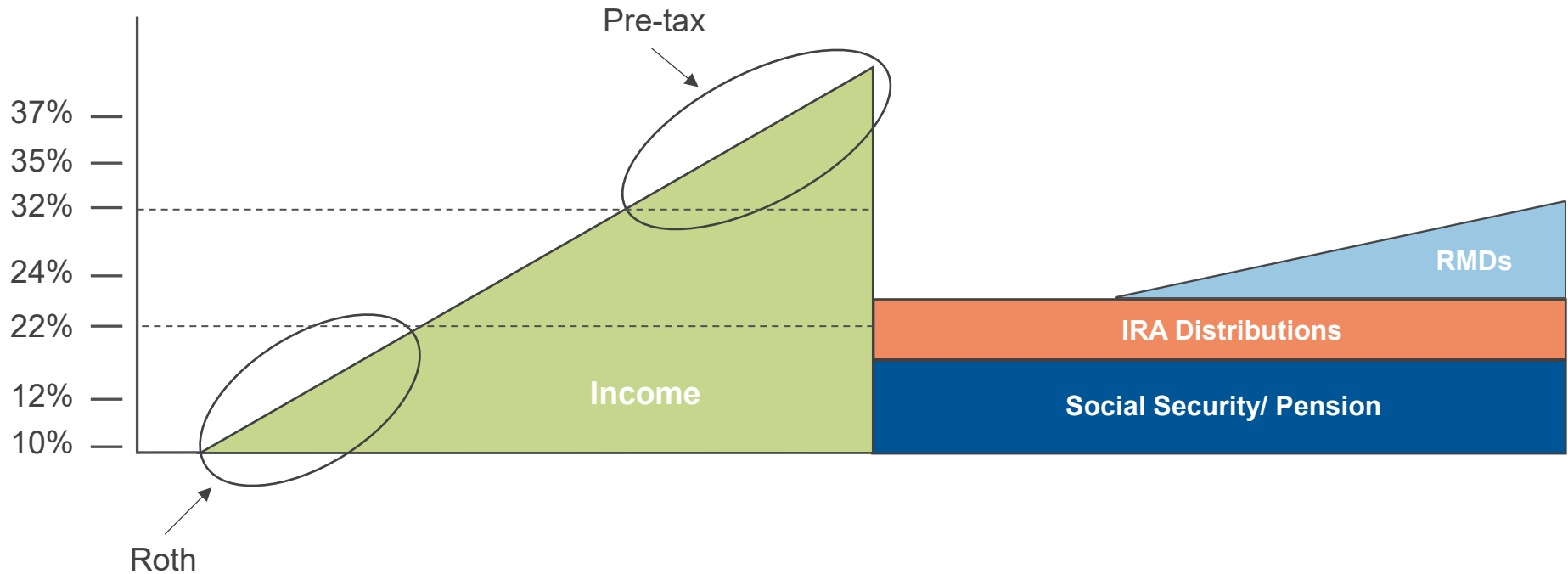
* Roth conversions can potentially cause Medicare premiums to increase if over the age of 65.

32% bracket or higher

Pre-tax 401k contributions

Back-door Roth contributions

Hypothetical Example

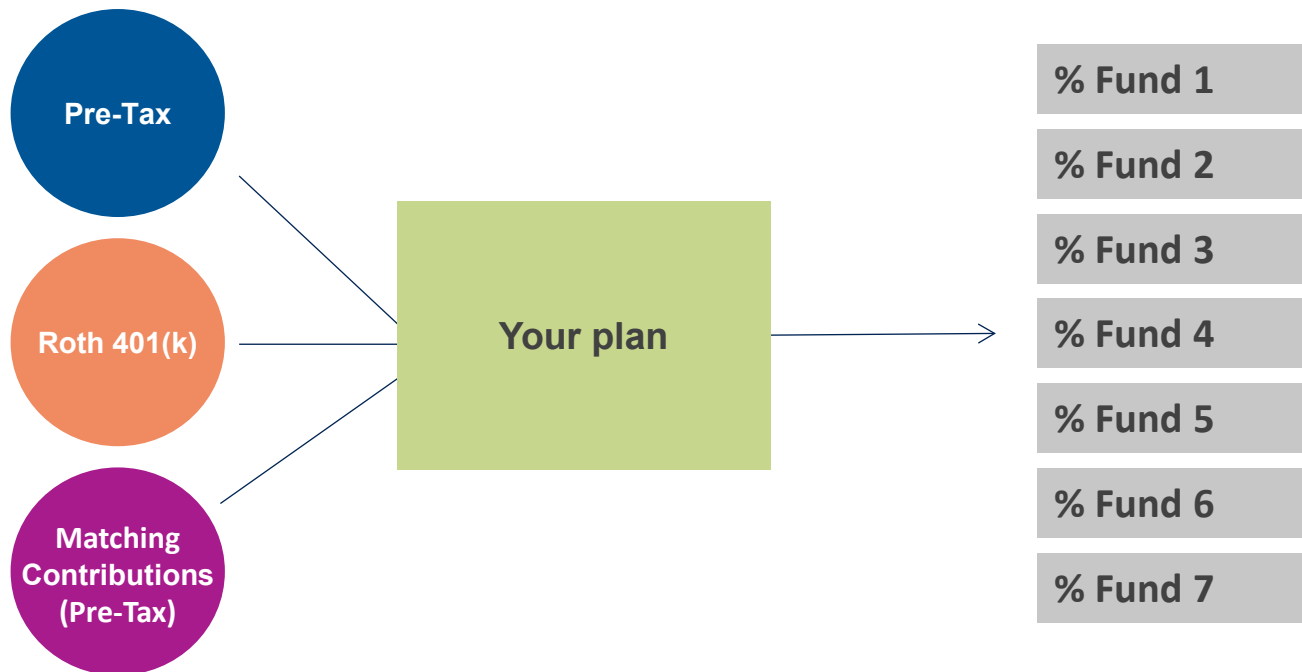


Miscellaneous Items

Investments in 401k Plans

All sources of money are invested based on investment elections you have on file.

Some plans may allow you to separate how each source is invested



Roth IRA: The 5-year Rule

For Roth monies to be distributed tax free, the account (whether 401k or IRA) must satisfy a 5-year holding period

For this reason, individuals saving in a 401k plan may consider opening a Roth IRA as well

An individual must also attain age 59.5, die, or become disabled

Questions?



CONTACT US

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2026 Webinar Calendar

January 27

Foundations of Wealth:
Key Concepts for Building
Your Financial Base

February 24

Interest Rates: How it
Affects Home Purchases
and Investments

March 24

Pre-Tax and Roth
Contributions: Comparing
Your Options

April 28

Lessons from Market History:
Insights from Past Crises

May 26

The Psychology of Money:
How Behavior Shapes
Financial Choices

June 23

Creating Retirement Income:
Turning Savings into Paychecks

July 28

Estate Planning Basics:
Organizing and Protecting
Your Assets

August 25

Personal Insurance 101:
Exploring Coverage Types

September 29

Medicare Made Simple:
Navigating Your Choices

October 27

Social Security: What to Know
Before You Claim

November 19

Understanding the Stock
Market: Turning Knowledge
into Long-Term Wealth

December 17

Approaching Retirement:
Preparing for What's Ahead

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