“Roth contributions” might be one of those terms that you’ve heard before but aren’t sure what it means. And if your employer-sponsored 401(k) or 403(b) plan allows them, they could help you get more out of your savings when you retire.

**How are Roth contributions different from regular contributions?**

It has a lot to do with taxes and when you pay them. And remember, the higher your income, the higher your tax rate may be.

**REGULAR CONTRIBUTIONS TO YOUR 401(K) OR 403(B)**

- You **don’t** pay income taxes on the money when you contribute.
- You **do** pay income tax when you withdraw it.
- May be better if you think your tax rate will go down when you retire.

**ROTH CONTRIBUTIONS**

- You **do** pay income tax on the money right when you contribute it.
- You **don’t** pay income tax when you withdraw it, as long as you’re at least age 59 ½, and the money has been in your account for at least five years.
- May be better if you think your tax rate will be higher when you retire.

**Pay taxes now or later?**

Figuring out whether you’ll pay more taxes now or when you retire can be tricky. However, as long as your employer’s plan allows it, you can make a combination of both regular and Roth contributions to help balance out what you owe.

**Are Roth contributions right for you?**

They may be if you:

- Are a consistent saver.
- Are on track to exceed your estimated retirement needs.
- Can’t participate in a Roth IRA.
- Think your income tax rate will be higher in retirement than it is now.

**Review your contributions**

Log in to principal.com or use the Principal® app to review or update your contributions.