

# TAX-DEFERRED VS. ROTH RETIREMENT CONTRIBUTIONS

## FOR MINISTERS, ONE SIZE DOES NOT FIT ALL

Are you carefully considering the tax differences between tax-deferred and Roth contributions to your 403(b)(9) retirement plan? Use our helpful guide below to determine if tax-deferred or Roth may be the better fit for your unique situation.

## THE BASIC BREAKDOWN



### TAX-DEFERRED

You make **pretax contributions** (lowering current taxable income).

You receive **taxable distributions** in retirement (excluding housing allowance distributions).

You expect to be in a **lower tax bracket in retirement.**

**You currently need as much take-home pay as possible**, even if it means paying taxes on distributions in retirement.



### ROTH

You make **after-tax contributions** (including 15.3% SECA tax, paying taxes up front).

You receive **tax-free distributions** in retirement.\*

You expect to be in a **higher tax bracket in retirement.**

**You can afford less take-home pay now**, in exchange for tax-free distributions in retirement.

\*Roth distributions are not taxable if the account has been held for five years and the participant is over age 59 ½, deceased or disabled.

## UNIQUE CONSIDERATIONS

### TAX-FREE HOUSING ALLOWANCE IN RETIREMENT

Did you know you are able to claim minister's housing allowance (i.e., tax-free income) during retirement? Considering your housing allowance designation will not be taxed, you may want to consider tax-deferred for part of your retirement contributions to avoid paying federal, SECA and state taxes.



#### WHAT IS MINISTER'S HOUSING ALLOWANCE?

Section 107 of the *Internal Revenue Code* allows **Ministers for Tax Purposes** to exclude some or all of their ministerial income designated as housing allowance from income for federal income tax purposes.

## BENEFITS OF TAX-DEFERRED CONTRIBUTIONS

Tax-deferred contributions allow for reduction in:

- Federal taxes when contributing during working years
- SECA taxes for ministers when contributing during working years\*\*
- Federal taxes for ministers on housing allowance distributions in retirement

## BENEFITS OF ROTH CONTRIBUTIONS

Roth contributions allow for tax-free distributions to:

- You during retirement
- Your survivors to help minimize their tax burden



## HAVE ADDITIONAL QUESTIONS?

We're here to help you along your retirement planning journey! Contact GuideStone® today at **1-888-98-GUIDE** (1-888-984-8433) or visit [GuideStone.org/TaxGuide](https://www.GuideStone.org/TaxGuide) for additional information. Please seek a competent tax advisor familiar with ministers' taxes concerning your specific tax questions.

\*\*SECA tax reduction is not available to non-*W-2*-paid ministers (i.e., *1099*-paid ministers).

This should not be considered tax advice. You should consult a tax professional to discuss your unique situation.