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CLIENT GUIDE

Traditional IRA vs. Roth IRA

Traditional and Roth IRAs have the same contribution limit and can hold the same investments. The main difference is when you pay income tax. This guide explains how each one is taxed, the 2026 limits, and how to decide which one fits you.

With a Traditional IRA, you may be able to deduct what you put in, which lowers your taxes this year. You pay income tax on what you take out in retirement. With a Roth IRA, you put in money you have already paid tax on. Your withdrawals in retirement are tax-free. In both accounts, dividends, interest and gains are not taxed while the money stays invested.

Side by side

	Traditional IRA	Roth IRA
Tax deduction now	Yes, if you qualify (see page 2)	No
Tax on growth	None while the money stays invested	None
Tax on withdrawals	Taxed as ordinary income	Tax-free after age 59½, once your first Roth IRA is five years old
Income limit to contribute	None	Yes (see page 2)
Required withdrawals	Yes, from age 73 (75 if born in 1960 or later)	None during your lifetime
Withdrawals before 59½	Taxed, plus a 10% penalty unless an exception applies	Your contributions can come out at any time with no tax or penalty. Earnings may be taxed and penalized.
For your heirs	Taxed as income. Most heirs must empty it within 10 years.	Generally tax-free. Most heirs must empty it within 10 years.
2026 contribution limit	$7,500 a year, or $8,600 at age 50 or older. One limit covers both accounts together.	

Already have money in a Traditional IRA? Our Roth conversion calculator shows how much to move to a Roth this year.

The 2026 limits

- **$7,500 a year, or $8,600 at 50 or older.** The extra $1,100 applies if you turn 50 by December 31, 2026.
- **One limit for all your IRAs.** You can split it between Traditional and Roth.
- **You need earned income.** You can contribute up to what you earned from work that year, at any age. If you file jointly, a spouse with little or no income can contribute based on the other spouse's earnings.
- **Your 401(k) has its own limit.** Having one can reduce your Traditional IRA deduction (see below).
- **Deadline: April 15, 2027.** A tax filing extension does not give you more time.

2026 income limits

Both tables use modified adjusted gross income (MAGI). For most people, MAGI is about the same as the adjusted gross income on their tax return.

Who can contribute to a Roth IRA	Full contribution	Reduced contribution	No contribution
Single or head of household	Under $153,000	$153,000 to $168,000	$168,000 or more
Married filing jointly	Under $242,000	$242,000 to $252,000	$252,000 or more
Married filing separately	—	$0 to $10,000	$10,000 or more

Married filing separately applies if you lived with your spouse at any time during the year. If you did not, use the single row. Over the limit? A backdoor Roth still works; see page 5 or our backdoor Roth guide.

Anyone with earned income can contribute to a Traditional IRA. These limits only decide whether you can deduct it, and they apply only if you or your spouse has a retirement plan at work, such as a 401(k).

Who can deduct a Traditional IRA	Full deduction	Partial deduction	No deduction
No workplace plan for you or your spouse	Any income	—	—
Single or head of household, you have a plan	$81,000 or less	$81,000 to $91,000	$91,000 or more
Married filing jointly, you have a plan	$129,000 or less	$129,000 to $149,000	$149,000 or more
Married filing jointly, only your spouse has one	$242,000 or less	$242,000 to $252,000	$252,000 or more
Married filing separately, either of you has a plan	—	$0 to $10,000	$10,000 or more

Can’t deduct it? It can still go in as a nondeductible contribution. Report it on IRS Form 8606 so you are not taxed on it twice.

How the tax math works

This hypothetical example puts the same $7,500 of pay toward each account at a 24% tax rate, today and in retirement. The money grows to 4 times its value (about 7.2% a year for 20 years). It is not a projection.

	Traditional IRA	Roth IRA
Pay you set aside	$7,500	$7,500
Income tax today at 24%	$0 (you deduct it)	$1,800
Amount invested	$7,500	$5,700
Value at retirement (4 times)	$30,000	$22,800
Income tax when you withdraw, at 24%	$7,200	$0
What you keep	**$22,800**	**$22,800**

Both accounts end with $22,800. At the same tax rate, neither account comes out ahead.

What changes the answer

Your tax rate in retirement. Below, today’s rate stays at 24% and only the rate in retirement changes.

Tax rate in retirement	Traditional IRA keeps	Roth IRA keeps	Comes out ahead
12%	$26,400	$22,800	Traditional, by $3,600
24% (same as today)	$22,800	$22,800	Neither
32%	$20,400	$22,800	Roth, by $2,400

A lower tax rate in retirement favors the Traditional IRA. A higher rate favors the Roth. Your rate in retirement will depend on your withdrawals, Social Security, any pension, where you live, and tax law at the time.

A full Roth contribution shelters more

$7,500 in a Roth IRA is all yours. $7,500 in a Traditional IRA still owes income tax when you take it out. If you can afford to contribute the full limit either way, the Roth protects more of your savings from future tax.

Your tax rate today (2026)

Your tax bracket is the rate on your last dollar of taxable income. Taxable income is your income after deductions. The 2026 standard deduction is $16,100 for single filers and $32,200 for married couples filing jointly. A deductible $7,500 contribution saves about $1,650 in the 22% bracket and $1,800 in the 24% bracket.

Rate	Single	Married filing jointly
10%	$0 to $12,400	$0 to $24,800
12%	$12,400 to $50,400	$24,800 to $100,800
22%	$50,400 to $105,700	$100,800 to $211,400
24%	$105,700 to $201,775	$211,400 to $403,550
32%	$201,775 to $256,225	$403,550 to $512,450
35%	$256,225 to $640,600	$512,450 to $768,700
37%	Over $640,600	Over $768,700

Taxable income. Federal rates only. Most states also tax Traditional IRA withdrawals as income.

Which one tends to fit

A Roth IRA often fits when

- You are in a low bracket now, such as 10% or 12%.
- You expect your income to rise.
- You want access before retirement. Your contributions can come out at any time.
- You want to leave tax-free money to your heirs.
- You do not want required withdrawals later.

A Traditional IRA often fits when

- You are in a high bracket now, such as 32% or above.
- You expect less income in retirement.
- You can deduct it and want the tax savings now.
- You plan to retire in a state with lower income tax.

In the 22% and 24% brackets it can go either way, and many people split their savings. You can contribute to both accounts in the same year as long as the total stays within the limit. Holding both lets you choose each year in retirement which account to draw from, which helps you manage your tax bill.

Special cases

- **Income too high for a Roth.** A backdoor Roth may still work. You make a nondeductible Traditional IRA contribution, then convert it to a Roth. If you have pre-tax money in any Traditional, SEP or SIMPLE IRA, part of the conversion will be taxed. Our backdoor Roth guide walks through the steps. Talk to us before you do this.
- **Roth conversions.** You can move money from a Traditional IRA into a Roth IRA at any income. You pay income tax on the amount you convert, in the year you convert it. Conversions often make sense in low-income years, such as the years between retiring and starting Social Security.
- **Your 401(k) may have a Roth option.** Many workplace plans offer Roth contributions, with a much higher limit: $24,500 in 2026, plus catch-up contributions at 50 and older. The same tax math applies. If your 2025 wages from that employer were over $150,000, your 2026 catch-up contributions must go in as Roth.
- **The five-year rules.** Roth earnings are tax-free only after you reach 59½ and five tax years have passed since your first Roth IRA contribution. Money you convert has its own five-year rule for the 10% penalty if you are under 59½.

Run your own numbers

Our Roth conversion calculator works out how much to move from a Traditional IRA to a Roth this year and what it costs in tax. You can type in your numbers or upload last year's tax return.

Open the Roth conversion calculator

Questions?

Not sure which one fits you? Send us your age, your filing status and last year's tax return. We will run both options with you and coordinate with your CPA.

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Bull Run Investment Management, LLC is a registered investment adviser. This guide is general information, not tax or legal advice. Contribution limits, income limits and tax brackets are set by the IRS and change each year; the figures shown are for the 2026 tax year (IRS Notice 2025-67 and Revenue Procedure 2025-32). The examples are hypothetical, do not represent the return of any investment, and leave out state taxes. Confirm your situation with your CPA before you contribute or convert.