

Roth vs. Traditional 403(b)

Note: The following case studies are intended to be used in conjunction with the “Roth Calculator.” The information listed below for each of the case studies can be inserted into the Roth Calculator to show the impact that results when there are changes in certain variables.

The Roth Calculator can be accessed at the following link:

<https://imremote.icemiller.com/RothCalc/default.aspx>

Example 1 Young Lay Employee

Assumptions:

Current Age =	25
Retirement Age =	65
Salary =	\$25,000
Contribution =	6%
Rate of Return =	5%

Results:

Present After Tax Value Traditional 403(b)	\$_____
Present After Tax Value Roth	\$_____

ALTERNATIVES:

10% contribution

Results:

Present After Tax Value Traditional 403(b)	\$_____
Present After Tax Value Roth	\$_____

7% Rate of Return

Results:

Present After Tax Value Traditional 403(b)	\$_____
Present After Tax Value Roth	\$_____

\$35,000 salary

Results:

Present After Tax Value Traditional 403(b)	\$_____
Present After Tax Value Roth	\$_____

Example 2 Young Minister

Assumptions:

Current Age =	25
Retirement Age =	65
Salary =	\$25,000
Contribution =	6%
Rate of Return =	5%
Pre-Retirement Housing Allowance	\$12,000
Post-Retirement Housing Allowance	\$0

Results:

Present After Tax Value Traditional 403(b)	\$ _____
Present After Tax Value Roth	\$ _____

ALTERNATIVES:

\$35,000 salary

Results:

Present After Tax Value \$ _____

Traditional 403(b)

Present After Tax Value Roth \$ _____

\$8,000 Post-Retirement Housing Allowance

Results:

Present After Tax Value \$ _____

Traditional 403(b)

Present After Tax Value Roth \$ _____

\$12,000 Post-Retirement Income

Results:

Present After Tax Value \$ _____

Traditional 403(b)

Present After Tax Value Roth \$ _____

Example 3 Middle Age Minister

Assumptions:

Current Age =	45
Retirement Age =	65
Salary =	\$50,000
Contribution =	10%
Rate of Return =	7%
Pre-Retirement Housing Allowance	\$20,000
Post-Retirement Housing Allowance	\$10,000
Post-Retirement Other Income	\$10,000

Results:

Present After Tax Value Traditional 403(b)	\$ _____
Present After Tax Value Roth	\$ _____

ALTERNATIVES:

\$15% contribution

Results:

Present After Tax Value Traditional 403(b)	\$ _____
Present After Tax Value Roth	\$ _____

\$0 Housing Allowance

Results:

Present After Tax Value Traditional 403(b)	\$ _____
Present After Tax Value Roth	\$ _____

\$15,000 Post-Retirement Income

Results:

Present After Tax Value Traditional 403(b)	\$ _____
Present After Tax Value Roth	\$ _____

Example 4 Older Minister

Assumptions:

Current Age =	55
Retirement Age =	65
Salary =	\$75,000
Contribution =	10%
Rate of Return =	7%
Pre-Retirement Housing Allowance	\$25,000
Post-Retirement Housing Allowance	\$15,000
Post-Retirement Other Income	\$20,000

Results:

Present After Tax Value Traditional 403(b)	\$ _____
Present After Tax Value Roth	\$ _____

ALTERNATIVES: \$20% contribution

Results:

Present After Tax Value Traditional 403(b)	\$ _____
Present After Tax Value Roth	\$ _____

\$0 Housing Allowance

Results:

Present After Tax Value Traditional 403(b)	\$ _____
Present After Tax Value Roth	\$ _____

ROTH vs. TRADITIONAL CALCULATOR

Output:

Exhibit :

Inputs:

Age:	25	
Retirement Age:	65	
Annual Salary:	\$ 25,000	
(G for Graded tax rate F for Flat):	G	
Flat Rate:	Post: 20%	Pre: 20%
Graded Rate:	Post-Retirement	Pre-Retirement
Income	Tax Rate	Base
-	10%	-
\$ 7,825	15%	\$ 783
\$ 31,850	25%	\$ 4,386
\$ 77,100	28%	\$ 15,699
\$ 160,850	33%	\$ 39,149
\$ 349,700	35%	\$ 101,469
	Post	Pre
State Tax Rate:	0.0%	0.0%
Traditional deferral rate:		6%
Roth deferral rate:		6%
Traditional rate of return:		5%
Roth rate of return:		5%
Tax Savings rate of return (after-tax):		5%
Payout form:		
(LS for lump sum; ANN for annuity)		ANN
Pre-Retirement Housing Allowance:		\$ -
Post-Retirement Housing Allowance:		\$ -
Other Post-Retirement Income:		\$ -

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Annualized Income:

	Traditional	Roth
Gross: \$	25,000	\$ 25,000
Deferral: \$	1,500	\$ -
Roth: \$	-	\$ 1,500
Taxable Wages: \$	23,500	\$ 25,000
Taxes: \$	3,134	\$ 3,359
Net Pay: \$	20,366	\$ 20,141
Tax Savings: \$	225	
Net Pay Difference:		\$ (225)
Marginal Tax Rate:	15.0%	

Future Value of Contributions:

	Traditional	Roth
Before Taxes		
Traditional: \$	185,730	\$ -
Roth: \$	-	\$ 185,730
Total: \$	185,730	\$ 185,730
After Taxes		
Traditional: \$	162,606	\$ -
Roth: \$	-	\$ 185,730
Total: \$	162,606	\$ 185,730
Difference:		\$ 23,123
Blended Tax Rate:	12.5%	
Value of reinvested Tax Savings: \$	27,859	
Total After Tax Value:	\$ 190,466	\$ 185,730