

IRA Insights

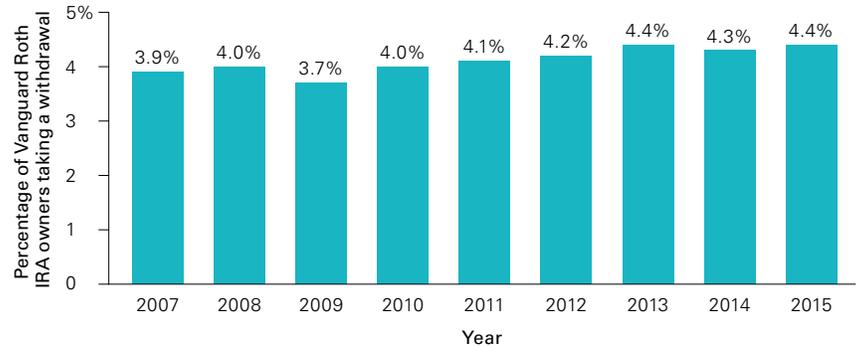
Roth IRA owners can keep a good thing going

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Few investors take withdrawals from their Roth IRAs.

One big advantage of a Roth IRA compared with a traditional IRA is that contributions can be withdrawn at any time without incurring taxes or penalties. This makes it ideal for investors who are beginning to build wealth. Young investors can contribute even before they have a separate emergency fund, knowing that contributions can be withdrawn if needed. Fortunately, however, Roth IRA owners seem more interested in building assets than using them. Between 2007 and 2015, only about 4% of Vanguard Roth IRA owners took a withdrawal in any given year.

Most Roth IRA owners resist the lure of penalty-free withdrawals



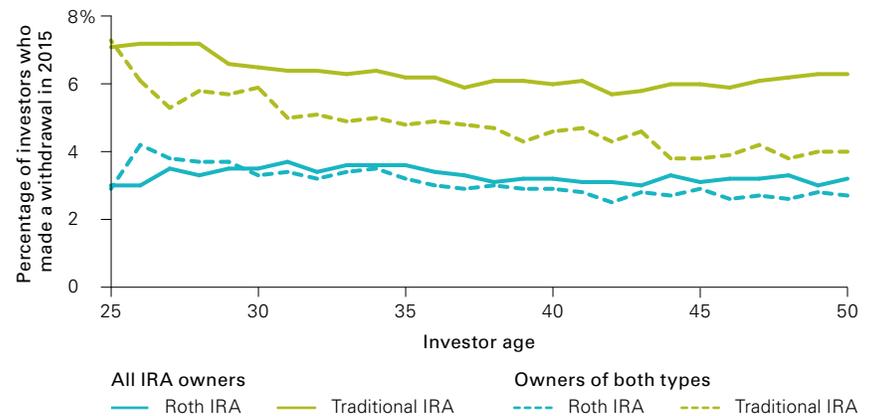
Source: Vanguard.

Younger Roth IRA owners are even less likely to take withdrawals.

That 4% includes retirees who own Roth IRAs. Among those who haven't retired, the withdrawal rate is even lower.

In fact, younger Roth IRA owners withdrew at only about half the rate of younger traditional IRA owners. And investors who owned both types of IRA withdrew at a higher rate from their traditional IRA than they did from their Roth IRA—even though withdrawals from traditional IRAs can result in significant taxes and penalties.

Compared with traditional IRAs, Roths see fewer withdrawals



Note: Includes Vanguard investors ages 25 to 50 who owned a traditional IRA or a Roth IRA as of January 1, 2015.

Source: Vanguard.

Roth IRA withdrawals are smaller than those made from traditional IRAs.

The average withdrawal amount taken from traditional IRAs was almost double that taken from Roth IRAs. That may be because many traditional IRAs are funded by rollovers from employer-sponsored retirement plans, and life events that lead to a job loss may correlate to both rollovers and the need to take withdrawals. Traditional IRAs are also simply “where the money is”—and thus their proportionally similar withdrawals are still larger in dollar terms.

Withdrawal amounts differ by IRA type—but are proportionally similar



Notes: Includes Vanguard investors ages 25 to 50 who made an IRA withdrawal in 2015. Percentages are the percentage of the balance at the beginning of the year.

Source: Vanguard.

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