



IRA Insights

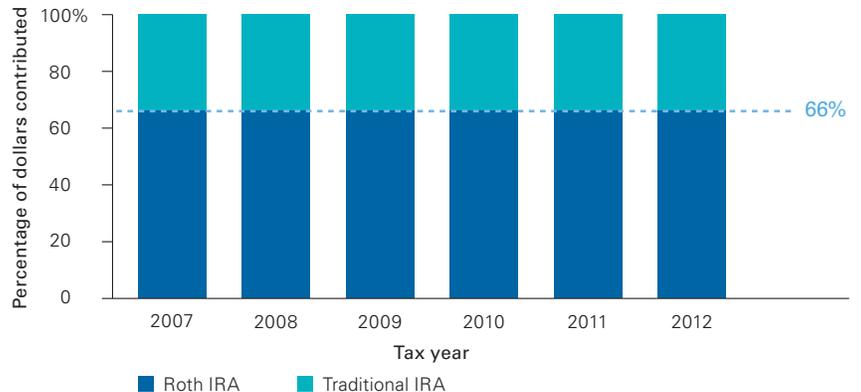
Are investors breaking from the traditional?

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Vanguard investors favor Roth IRAs over traditional IRAs when making contributions.

Steadily since 2007, about two out of every three dollars contributed to IRAs have gone into Roth IRAs.

Annual contributions by IRA type



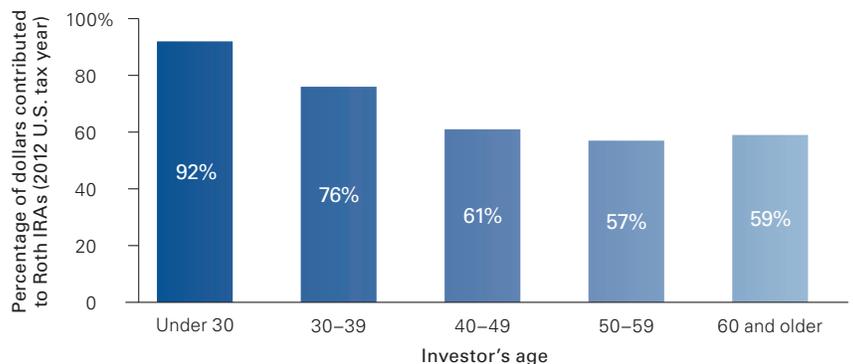
Source: Vanguard.

Vanguard investors under age 40 overwhelmingly select Roth IRAs.

For the 2012 U.S. tax year, 39% of the money contributed to Roth IRAs was by investors under age 40. In contrast, only 17% of traditional IRA contributions came from this age group.

Furthermore, more than nine out of ten dollars contributed by investors under age 30 have been put into Roth IRAs.

Younger investors are more likely to use a Roth IRA



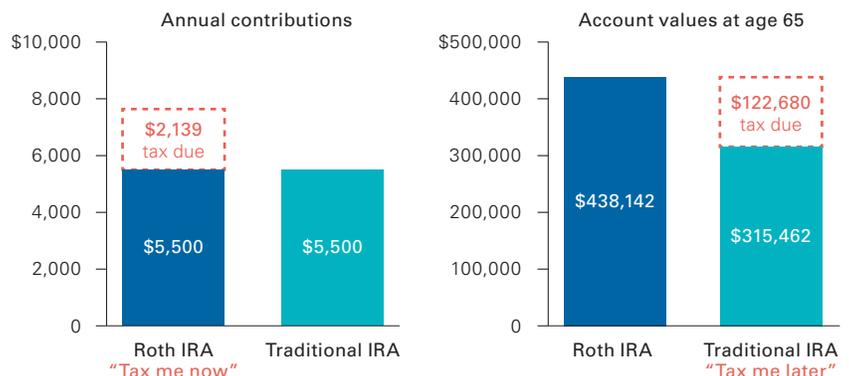
Source: Vanguard.

A reason to prefer Roth IRAs is that the contributions can be worth more in retirement.

Roth contributions are after-tax, allowing investors to contribute more on a tax-advantaged basis. Over time, these extra savings can add up.

In addition, earnings are tax-free, so no additional taxes are owed at withdrawal. Since Roth IRAs are not subject to required minimum distributions, investors can enjoy the benefits of tax-advantaged compounding longer than with a traditional IRA.

A Roth effectively allows you to invest more in your IRA



Notes: This is a hypothetical example and does not represent any particular investment. All amounts are in today's (2014) dollars. Projected values assume: (1) Investors contribute at the stated rate beginning at age 30 and continuing through age 64; (2) 4% return after inflation; (3) 28% tax rate.

Source: Vanguard.

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