

Mentoring at Scale

Traditional vs Roth

*The current-rate-vs-future-rate
framework, the breakeven math,
and the tax-bracket-arbitrage cases.
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Traditional vs Roth IRA — the Practitioner Decision Framework

The Traditional IRA gives you a current deduction and defers tax to distribution. The Roth IRA gives you no current deduction and permanent tax-free compounding thereafter. On paper the two look symmetric; in practice they are not, because rates change, compounding runways differ, RMD treatment differs, and estate treatment differs. This is the practitioner framework for choosing between them.

Snapshot: 2026-06-30

The core mechanic

Current-rate versus future-rate arbitrage

The Roth wins when the taxpayer's future marginal rate is expected to be *higher* than the current marginal rate. The Traditional wins when the future rate is expected to be *lower*. That is the surface framework. Every practitioner conversation adds layers.

When the Roth wins clearly: Young taxpayers early in their earning arc; taxpayers expecting a rate rise on scheduled sunset of current law; taxpayers with a long compounding runway; taxpayers whose IRA is intended for heirs rather than personal consumption (see inherited IRA page).

When the Traditional wins clearly: Peak-earnings-year contributions expected to be withdrawn during a lower-rate retirement; taxpayers with strong current deductibility and no expected estate-transfer purpose; taxpayers with a shorter compounding runway.

The asymmetry that most first-time analyses miss

RMD asymmetry and the compounding-runway advantage

The Traditional IRA is subject to Required Minimum Distributions starting at age 73 (rising to 75 for those turning 74 after 2032). The Roth IRA has *no RMDs during the original owner's lifetime*. That means the Roth wrapper can compound tax-free for the owner's entire remaining life, and then continue to compound (subject to the 10-year rule) for the beneficiary.

A Traditional IRA with \$500,000 at age 73 is required to distribute roughly 3.9% (\$19,500) that year, with the percentage rising each year. That is \$19,500 of taxable income the taxpayer may not have needed for consumption but is required to recognize. A Roth of the same balance has no such requirement — it continues compounding at the underlying investment rate, untaxed, indefinitely.

Tax diversification

Why practitioners often argue for both

Most working taxpayers do not know what their future marginal rate will be with any precision. Rates change with law, career arcs bend in unexpected directions, and retirement spending patterns vary. Under uncertainty, the practitioner-consensus move is to hold both Traditional and Roth balances so the retiree can distribute from whichever has the lower current-year tax cost. This is not a hedge in the risk-management sense; it is optionality at withdrawal.

Cross-references

Where to read next

Above the Roth phase-out? Backdoor Roth and Mega-Backdoor Roth.

Considering conversion? Roth Conversion Strategy.

The most valuable Roth ever? The Peter Thiel case.

Educational reference. Not tax, legal, or investment advice. Consult a qualified professional for your specific situation.

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