



# WEEKLY COMMENTARY

For the Week of December 31, 2018

## WEEKLY FOCUS

### Roth 401(k)s Versus Roth IRAs

Although a growing number of employers are adding a Roth 401(k) to their retirement plan offerings, the newer savings vehicle is still not widely understood. If your company provides this option or you'd like it to, the following information should prove useful.

The Roth 401(k) provides many of the same advantages a privately held Roth IRA does. Contributions to both accounts are made with after-tax dollars, grow tax-free and offer tax-free withdrawals during retirement. But the two have marked differences, including:

**Income restrictions.** There are no income restrictions when contributing to a Roth 401(k). To make the maximum contribution to a Roth IRA in 2019, a single filer's modified adjusted gross income must fall below \$122,000; a married couple filing jointly must have a combined income below \$193,000.

**Contribution amounts.** Roth 401(k)s enjoy high contribution limits. In 2019, an employee can contribute up to \$19,000, or \$25,000 if they are age 50 or over – compared to up to \$6,000 in a regular Roth IRA, with a \$1,000 additional catchup contribution for anyone 50 or older. In addition to making bigger contributions, an employee with a Roth 401(k) may benefit from an employer match. However, the employer's portion must go into a traditional 401(k) account and will incur income tax when withdrawn.

**Required minimum distributions.** While there are no RMDs with Roth IRAs, distributions are typically required each year after age 70½ with Roth 401(k)s – unless the account holder is still employed by the company and doesn't have an ownership stake in it.

**Investment options.** An individual with their own Roth IRA is free to choose investments, compared to a person limited to investments offered by their Roth 401(k).

**Contribution deadlines.** Generally, contributions to Roth 401(k)s must be made by the end of the year. But it's possible to apply Roth IRA contributions to the current year if they're made by the tax filing deadline in April of the upcoming year.

With the variety of retirement plans available today, it can be difficult to weigh each option's advantages and disadvantages. Contact our office today for help determining which plan or combination of plans best suits your individual goals and circumstances.

## FINANCIAL FACTS

**Slowing Down** — The median sales price of existing homes sold nationwide increased 3.8 percent on a year-over-year basis through October 2018. That's the smallest year-over-year growth in the median sale price since March 2012 (source: National Association of Realtor, BTN Research).

**Not Ready** — Thirty states do not have sufficient reserves set aside today to absorb the financial impact of an economic recession, forcing them to raise taxes/fees or reduce benefits (source: S&P Global, BTN Research).

**More Out Than In** — The total cost of the Social Security program in 2018 (\$1.003 trillion) is projected to exceed its total income (\$1.001 trillion), resulting in the program's first deficit since 1982 (source: Social Security, BTN Research).

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## THE MARKETS

Continued jitters over trade tensions, a partial government shutdown, a slowing global economy and Federal Reserve interest rate increases led to choppy trading on Friday. The Dow and the S&P fell Friday, but all three indexes achieved weekly gains for the first time in December. For the week, the Dow gained 2.75 percent to close at 23,062.40. The S&P climbed 2.90 percent to finish at 2,485.74, and the NASDAQ rose 3.97 percent to end the week at 6,584.52.

Returns Through 12/28/18	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	2.75	-4.58	-5.03	12.29	9.58
NASDAQ Composite (PR)	3.97	-4.62	-5.26	9.31	9.64
S&P 500 (TR)	2.90	-5.20	-5.69	8.73	8.39
Barclays US Agg Bond (TR)	0.21	-0.23	-0.10	1.92	2.49
MSCI EAFE (TR)	0.44	-14.17	-13.85	2.69	0.52

Source: Morningstar.com. \*Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.



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\* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America, Copyright December 2018. All rights reserved. Securities offered through Securities America, Inc., Member FINRA/SIPC. SAI#2362113.1