

# 4 Benefits of a Roth IRA

When it comes to building wealth, a Roth IRA is one of the most powerful tools that everyone should take advantage of if you're able to. A Roth IRA is a special, taxed-advantaged individual retirement account where you contribute after-tax dollars that grow tax-free indefinitely.



## 1. Tax-Free Growth

The biggest benefit of a Roth IRA is tax-free growth. Since you make after-tax contributions, the money in your account will grow tax-free. This gives you tremendous wealth-building power to create tax-free income during your retirement.

Let's use an example: If you start contributing to a Roth IRA at age 25 and invest \$6,000 per year with an average return of 7%, by the time you reach 65, your account will be worth \$1,197,811, completely tax-free.



## 2. Contribution Withdrawals are Tax and Penalty Free

Unlike traditional IRAs or your 401(k), you can withdraw your contributions at any time without paying additional taxes or fees, regardless of your age or how long the funds have been in your account. However, this only applies to the amount you've contributed, not the growth.

Let's say you open a Roth IRA and contribute \$4,000; a year later, the value of your account has grown to \$5,000. You can withdraw any amount up to the \$4,000 you contributed tax and penalty-free. But the \$1,000 worth of growth cannot be withdrawn.



## 3. Versatile and Liquidity

One of the most underrated benefits of the Roth IRA is the incredible versatility of this account. Since you can withdraw your contributions tax and penalty-free whenever you need to, this allows you to not only use it for retirement but a multitude of purposes as well, all while fighting inflation and continuing to grow your assets. Here's a few ways you can use your Roth IRA for something other than retirement:

- Saving for a house down payment
- Holding your emergency funds
- Saving for a child or grandchild's education



## 4. No Required Minimum Distributions (RMDs)

Another difference between Roth and Traditional IRAs is that you don't have to start taking RMDs when you turn 72. This makes Roth IRAs way more advantageous for creating generational wealth and transferring your heirs because all the money you've accumulated in your Roth IRA will continue compounding tax-free until you die.

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