



Traditional and Roth IRAs

Saving for Retirement



Benefits of an IRA

IRAs play an integral part in your retirement savings portfolio. Below are some of the benefits of opening an IRA:

- *Tax benefits for contributions or withdrawals*
- *Alternative savings method*
- *Independent from employer*

Traditional IRA

A traditional IRA allows individuals to make tax-deductible contributions to their individual retirement account. This means that participants receive tax savings benefits today and pay taxes on their IRA earnings at withdrawal.

All contributions made toward an IRA can be held in a retirement account and will earn interest well into the participant's retirement.

When individuals turn 72, they must begin taking Required Minimum Distributions (RMDs). Individuals who withdraw from their IRA before the age of 59.5 will incur a 10% early withdrawal penalty.

Under a traditional IRA, *all distributions are taxed.*

Contribution and Income Limits (for 2023):

Maximum Contribution Limit: \$6,500

Catch-up Contribution: \$1,000 (age 50 and older)

Early-Withdrawal Penalty: 10% plus tax on earnings

Phaseout Ranges - limitation on deduction of contributions if covered by an employer's retirement plan

- **Single/Head of Household:** \$73,000 - \$83,000
- **Married Filing Jointly:** \$116,000 - \$136,000
- **Married Filing Separately:** \$0 - \$10,000

What is an IRA?

An IRA stands for Individual Retirement Account.

The primary function of an IRA is to help you save for retirement. IRAs are different from traditional savings account because they provide tax benefits and grow with the stock market as an investment.

Anyone who earns taxable income (such as salaries, tips, wages, commission, and/or bonuses) qualifies to contribute to an IRA.

Only **Earned Income** may be contributed to an IRA

Roth IRA

A Roth IRA offers valuable tax benefits to the individual taxpayer. All investments deposited into a Roth IRA grow tax-free.

For example, let's say you invest \$20,000 into a Roth IRA. After 40 years, you've learned the account has grown to \$1.5 million. You pay taxes on contributions, so when you distribute these funds, you pay no taxes. If you would have invested into a Traditional IRA, then you would have paid taxes on your distribution.

Although Roth IRAs face early withdrawal penalties for individuals younger than 59.5, there are no Required Minimum Distributions at age 72.

Roth IRA contributions are **NOT** tax-deductible.

Contribution and Income Limits (for 2023):

Maximum Contribution Limit: \$6,500

Catch-up Contribution: \$1,000 (age 50 and older)

Early-Withdrawal Penalty: 10% plus tax on earnings

Phaseout Ranges - limitation on contributions if making income

- **Single/Head of Household:** \$138,000 - \$153,000
- **Married Filing Jointly:** \$218,000 - \$228,000
- **Married Filing Separately:** \$0 - \$10,000