

WHICH BEST FITS YOU?

COMPARING TRADITIONAL AND ROTH IRAS

There are two types of individual retirement accounts (IRAs) to help you save for retirement: Traditional IRAs and Roth IRAs. Here's how they differ, and further IRA details to help inform you regarding a retirement strategy.

	TRADITIONAL IRA	ROTH IRA
SUMMARY	Contributions to Traditional IRAs may be income tax deductible and proceeds in the account grow tax-deferred. Distributions are generally income taxable.	Proceeds in the account grow and are distributed income tax free when certain requirements are met (see back page for details). No income tax deduction is provided; contributions are made on an after-tax basis.
Compensation Requirement	You must have compensation to contribute. A spouse without compensation can contribute based on their spouse's earned income if they file a joint income tax return.	
What is Compensation?	Compensation includes: Wages, salaries, commissions, self-employment income, non-taxable combat pay, alimony, and separate maintenance. Does not include: Rental income, interest income, dividend income, pension income, annuity income, and deferred compensation.	
Maximum Contribution Amount	For 2017: \$5,500 under age 50, \$6,500 if you are over age 50 (or turn age 50 during the calendar year the contribution is for). The contribution limit is shared between Traditional and Roth IRAs. You cannot contribute more than \$5,500 in total (\$6,500 over age 50) per year to all of your IRAs. Rollovers, direct transfers, and conversions are not subject to the contribution limit.	
Contribution Deadline	April 15 for the previous tax year. This deadline does not include extensions. These accounts must be funded by April 15 for the contribution to count for the prior year.	
Deductibility of Contribution	The contribution may be tax-deductible. Deductibility is impacted by tax filing status, income, and access to an employer-sponsored retirement plan (see back page for details).	Contributions are made on an after-tax basis and no deduction is available.
Maximum Income	Contributions can be made regardless of the amount of income earned. The ability to deduct the contributions is phased out once income exceeds certain thresholds (see back page for details).	The ability to contribute is based upon income and tax filing status and is phased out once your income exceeds certain thresholds (see back page for details).
Age Restrictions	Must be under age 70½ to contribute.	Contributions can be made at any age.
Required Distributions	Must commence no later than April 1 of the year following attainment of age 70½.	The account owner is not required to take any distributions.
Taxation of Distributions	Distributions from Traditional IRAs are generally taxable. If you made nondeductible contributions, some of the distribution is nontaxable.	Distributions are income tax free if you meet certain criteria (see back page for details).
Early Withdrawal Penalty	Taxable distributions made prior to age 59½ are subject to an additional federal tax of 10% - unless an exception applies.	

TRADITIONAL IRA DEDUCTIBILITY

The tax deductibility of a Traditional IRA contribution is dependent on income, filing status, and whether you have access to a retirement plan at work. The tables below provide details on deductions based on tax filing status and modified adjusted gross income (MAGI). To determine your deduction, use your MAGI, which can be figured on Worksheet 1-1 in IRS Publication 590.

If you (and your spouse) are not covered by a retirement plan at work:

DEDUCTIONS	SINGLE FILING STATUS (MAGI)	MARRIED FILING JOINTLY (MAGI)
Full	Any Amount	Any Amount

If you are covered by a retirement plan at work:

DEDUCTIONS	SINGLE FILING STATUS (MAGI)	MARRIED FILING JOINTLY (MAGI)
Full	\$62,000 or less	\$99,000 or less
Partial	Between \$62,000 and \$72,000	Between \$99,000 and \$119,000
No Deduction (Phase-Out Limit)	\$72,000 or more	\$119,000 or more

If you file a married filing jointly tax return with a spouse who is covered by a retirement plan at work then your contribution is deductible if:

DEDUCTIONS	JOINT FILING STATUS (MAGI)
Full	\$186,000 or less
Partial	Between \$186,000 and \$196,000
No Deduction (Phase-Out Limit)	\$196,000 or more

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ROTH IRA ELIGIBILITY

Your eligibility to contribute to a Roth IRA is dependent on your filing status and MAGI. The table below shows your eligibility and phase-out limits for Roth IRA contributions.

ELEGIBILITY	SINGLE FILING STATUS (MAGI)	MARRIED FILING JOINTLY (MAGI)
Full	\$118,000 or less	\$186,000 or less
Partial	Between \$118,000 and \$133,000	Between \$186,000 and \$196,000

ROTH DISTRIBUTIONS

The primary advantage of a Roth IRA is income tax-free withdrawals. To receive income tax-free treatment two criteria must be met:

- Five years have passed since your first Roth IRA was opened.
- Attainment of a triggering event:
 - You reach age 59½.
 - You become disabled.
 - You purchase your first home (limited to \$10,000).
 - You pass away and your beneficiaries inherit the account.

If a distribution is taken from a Roth IRA and the above criteria are not met, then the distribution may be taxable. IRS ordering rules determine the order in which money is distributed and the taxability of those amounts as follows:

- Contributions are the first proceeds withdrawn. You receive these without tax or 10% additional federal tax on pre-59½ withdrawals.
- Conversions and rollovers (first-in first-out basis). Previously taxed amounts are returned without tax. If you are under age 59½ and it has not been five years since the conversion, the 10% additional federal tax may apply.
- Earnings are taxable and subject to the 10% additional tax if you are under age 59½ and an exception does not apply.

Rollovers and transfers may be subject to differences in features and expenses. Indirect transfers may be subject to taxation and penalties. Consult your tax advisor regarding your situation.

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