



# **INDIVIDUAL RETIREMENT ACCOUNTS**

- **Traditional IRA**
- **Roth IRA**
- **Catch-Up Contributions**
- **Roth IRA Conversions**
- **Deposit Insurance Coverage**

# RETIREMENT SAVINGS DEPOSIT ACCOUNTS INSURED TO \$250,000!

An Individual Retirement Account (IRA) is an excellent tool for retirement savings. Unlike most investments, depending on the type of IRA you choose, contributions may be tax deductible and will grow either tax-deferred or tax-free. In addition there are general rules that are prescribed for IRAs and are grouped under three broad categories that include eligibility, contributions and withdrawals.

## TRADITIONAL IRA

❖ **Eligibility**—Basically there are two rules that apply for eligibility. First, the owner must be under the age of 70 ½ and second, must have some form of compensation to contribute.

❖ **Contributions**—The annual contribution limit is \$6,000 for 2019 and 2020. Contributions are tax deductible if you are not an active participant in an employer retirement plan. Deductibility may be limited if you or your spouse are an active participant in an employer retirement plan (see the accompanying chart for details). Contributions and interest earned grow on a tax-deferred basis.

❖ **Withdrawals**—An owner must be age 59 ½ before making a withdrawal from a traditional IRA without incurring an additional 10% tax penalty. There are several exceptions that allow an owner to avoid the tax penalty for early withdrawals such as, qualified higher education expenses, certain qualified first-time homebuyer amounts, significant unreimbursed medical expenses among other exceptions (check with a financial advisor for all the details on early withdrawals). Earnings are taxed only upon withdrawal or distribution. Distributions must begin at age 70 ½. (see *Minimum Required Distribution*)

## ROTH IRA

❖ **Eligibility**—An owner must have earned income to establish and contribute to a Roth IRA. There is no age limit or restriction.

❖ **Contributions**—The maximum contribution rules are the same as for a traditional IRA even after age 70 ½. Contributions to Roth IRAs are not tax deductible.

❖ **Withdrawals**—Qualified distributions can be made after a five year taxable period is reached and the owner must be 59 ½ years of age. Early withdrawals are allowed if the owner becomes disabled or for first time homebuyers (check with a financial advisor for all the details on early withdrawals). There is no minimum required distribution for Roth IRAs.

## CATCH-UP CONTRIBUTIONS

Owners who have reached age 50 by the end of the year are eligible to make an additional catch-up contribution of \$1,000. This contribution applies to both the traditional IRA or a Roth IRA.

## MINIMUM REQUIRED DISTRIBUTION RULE

Traditional IRAs are subject to a minimum required distribution rule when the owner reaches age 70 ½. The minimum required distribution amount is determined by using a life expectancy table and the account balance. Calculate the annual estimated dollar distribution amount needed to bring the account to zero when the owner reaches the life expectancy age.

## CONTRIBUTION DEADLINES

Traditional IRAs and Roth IRAs accounts must be opened and/or funded by the April 15th tax filing deadline to receive a tax deduction on the previous year's earnings. A filing extension does not allow any extra time.

## ROTH IRA CONVERSIONS

The IRS rules for 2019 allow you to convert your traditional IRA to a Roth IRA by:

❖ **Rollover**—You receive a distribution from a traditional IRA and contribute it to a Roth IRA within 60 days after the distribution (the distribution check is payable to you);

❖ **Trustee-to-trustee transfer**—You tell the financial institution holding your traditional IRA assets to transfer an amount directly to the trustee of your Roth IRA at a different financial institution (the distributing trustee may achieve this by issuing you a check payable to the new trustee);

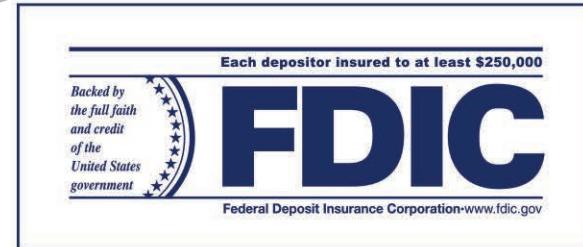
❖ **Same trustee transfer**—If your traditional and Roth IRAs are maintained at the same financial institution, you can tell the trustee to transfer an amount from your traditional IRA to your Roth IRA.

A conversion to a Roth IRA results in ordinary income tax of any untaxed amounts in the traditional IRA in the year of the conversion (check with financial and tax advisors before converting a traditional IRA to a Roth IRA).

## COMPOUND INTEREST GROWTH

IRA accounts grow by using compound interest over an extended period of time, meaning that accumulated interest is added to the principal each time in calculating earnings. Over the course of 20 or more years, these accumulations can be substantial. As added incentive, IRA accounts also enjoy either tax-free or tax-deferred status (see Traditional vs. Roth for details). You can learn more about how compound interest can make your retirement savings grow by taking advantage of the many online retirement calculators now available.

## FEDERAL DEPOSIT INSURANCE COVERAGE



The Federal Deposit Insurance Corporation (FDIC) insures certain retirement account deposits at FDIC member banks. These retirement accounts include IRA accounts, Keogh plan accounts, 457 plan accounts and certain other self-directed accounts. The FDIC adds together all retirement accounts owned by the same person at the same insured bank and insures the total up to \$250,000. Look for the FDIC sign where deposits are received.

# TRADITIONAL AND ROTH IRAS AT-A-GLANCE

## TRADITIONAL IRA

## ROTH IRA

### ELIGIBILITY

Must have earned income and not have reached age 70 ½ by the end of the year.

Must have earned income. There are no age restrictions.

### MAXIMUM CONTRIBUTIONS

Taxable years 2019 and 2020 limited to \$6,000

Taxable years 2019 and 2020 after \$6,000

### CATCH-UP

For 2019 and 2020 is \$1,000.

For 2019 and 2020 is \$1,000.

### TAX STATUS OF EARNINGS

Tax-deferred until withdrawal

Earnings grow tax-free.

### CONTRIBUTION RESTRICTIONS BASED ON ADJUSTED GROSS INCOME (AGI)

#### 2019 AND 2020 AGI DEDUCTION LIMITS

FILING STATUS	(If covered by a retirement plan at work)		(If not covered by a retirement plan at work)	
	FULL DEDUCTION	PHASE-OUT	FULL DEDUCTION	PHASE-OUT
Single, head of household	2019 \$64,000 or less	\$64,000–\$74,000	No limit	No limit
	2020 \$65,000 or less	\$65,000–\$75,000	No limit	No limit
Married filing jointly (spouse not covered)	2019 \$103,000 or less	\$103,000–\$123,000	No limit	No limit
	2020 \$104,000 or less	\$104,000–\$124,000	No limit	No limit
Married filing (spouse covered)			2019 \$193,000 or less	\$193,000–\$203,000
			2020 \$196,000 or less	\$196,000–\$206,000
Married filing separately	2019 less than \$10,000		No limit	No limit
	2020 less than \$10,000		No limit	No limit

2019 Single Filer \$122,000 with phase-out at \$137,000

2019 Joint Filers \$193,000 with phase-out at \$203,000

2020 Single Filer \$124,000 with phase-out at \$139,000

2020 Joint Filers \$196,000 with phase-out at \$206,000

### TAX DEDUCTION

Contributions up to the limit are fully tax deductible if you are not an active participant in a retirement plan. Otherwise phaseout rules apply.

No.

### PENALTIES FOR EARLY WITHDRAWAL

None if:

- Over 59 ½
- Death or disability
- Qualified medical expenses
- Certain health insurance
- Qualified college expenses
- First time home buyer (up to \$10,000)
- Due to IRS levy
- Periodic payments

None if made after five years of establishing your IRA plan and:

- Over 59 ½
- Death or disability
- Qualified medical expenses
- Certain health insurance
- Qualified college expenses
- 1st time home purchase (up to \$10,000)
- Due to IRS levy
- Periodic payments

### REQUIRED DISTRIBUTIONS

Must begin by April following year participant turns 70 ½.

Upon the death of the owner.

## **ADDITIONAL RESOURCES**

- **Department of Treasury, Internal Revenue Service**  
[www.irs.gov](http://www.irs.gov)
- **Federal Deposit Insurance Corporation**  
[www.fdic.gov](http://www.fdic.gov)

***Contact your banker today to learn more about today's IRA!***

**SAMPLE**