



YOUR GUIDE TO

# Individual Retirement Accounts (IRA)

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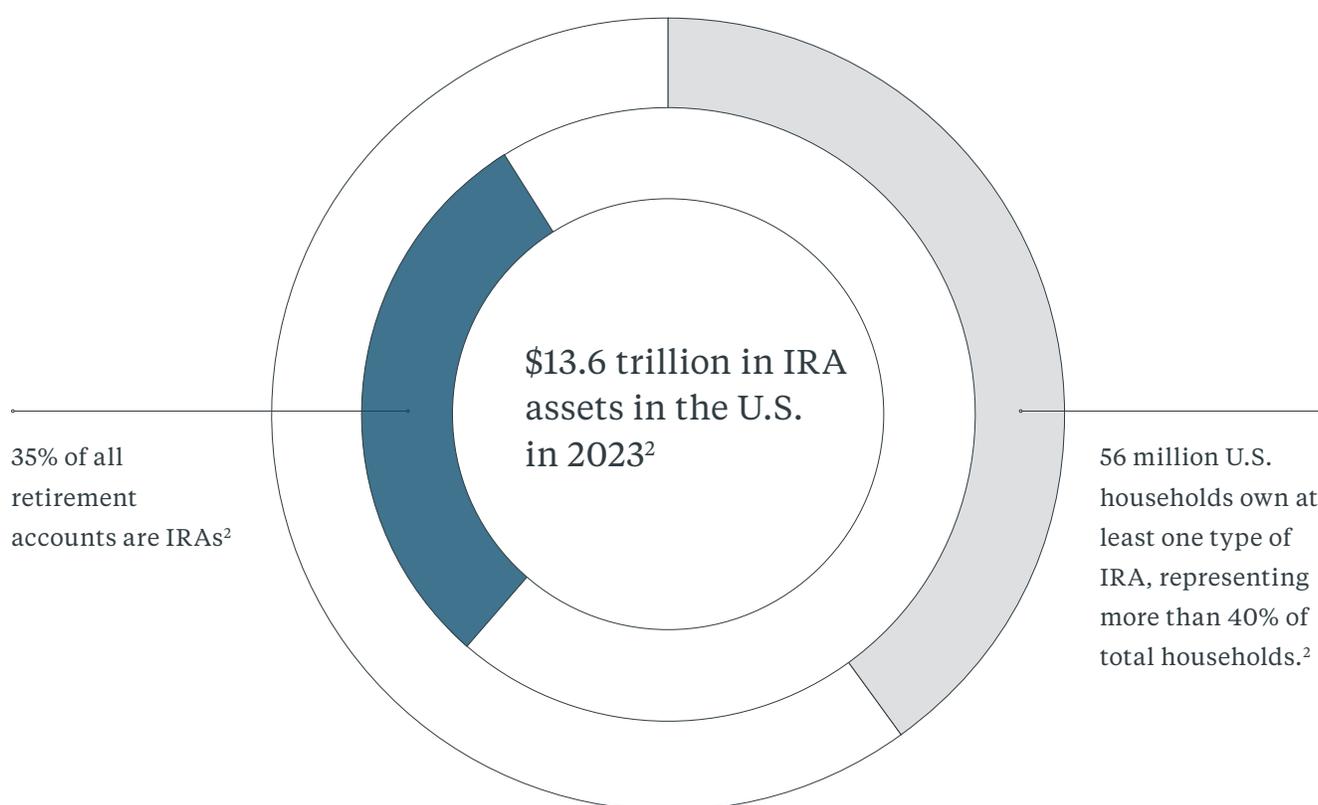
Only 15% of today's private-sector workers can count on retiring with a pension, which used to be a standard part of most people's retirement plan.<sup>1</sup>

<sup>1</sup>Bureau of Labor Statistics, U.S. Department of Labor, The Economics Daily, Feb. 1, 2023

# A Pension and Social Security May Not Replace Your Entire Income

**This means you have to take charge of your own money if you want to retire well.**

IRAs have become a trusted and popular savings vehicle to help people build a robust retirement portfolio. An individual retirement account (IRA) is a trust or custodial account set up in the United States for the exclusive benefit of you or your beneficiaries.



<sup>2</sup> Investment Company Institute, ICI Investment Company Fact Book 2024  
<https://www.icifactbook.org/pdf/2024-factbook.pdf>

# Traditional and Roth IRAs

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## There are two types of IRAs you can create — Traditional and Roth.

A Traditional IRA may allow you to save with tax-deductible contributions, and the IRA can grow tax deferred until you start withdrawing funds. A Roth IRA allows you to contribute post-tax dollars, so your withdrawals will be tax-free at retirement, if certain requirements are met.

### Traditional IRA

- Contributions may be made on a pretax basis.
- Taxes are due when withdrawals are made.
- Withdrawals before age 59½ may be subject to an IRS 10% early withdrawal penalty tax unless an exception applies.

### Roth IRA

- Contributions are made on an after-tax basis.
- If certain requirements are met, all earnings are tax-free; no future taxes are due on Roth assets.
- Roth contributions are available for withdrawal anytime and do not incur taxes or early withdrawal penalty.

## Contributing to an IRA

Basically, anyone with earned income can contribute to a Traditional IRA, however, there are income restrictions for deductibility purposes if you are an active participant in a retirement plan. For Roth IRA's there are contribution and modified adjusted gross income (MAGI) limit restrictions that apply. See the Benefit Chart on pages 6 and 7 for details.



# Rollovers

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## Another way to contribute to an IRA is through a rollover.

A rollover is a tax-free distribution to you of cash or other assets from one retirement account to another retirement account. The contribution to the second retirement account is called a “rollover contribution.” Most often people execute a rollover if they leave their employer or consolidate assets into one IRA.

## Two Types of Rollovers – Direct and Indirect

### Direct Rollover

- Assets from an existing retirement account are paid directly to the qualified plan or IRA Custodian/Trustee, not to you. In some cases a check may be sent to you, but payable to the 'Custodian/Trustee FBO You.' It is your responsibility to get it to the new Custodian/Trustee.
- 20% mandatory withholding does not apply.
- There is no tax liability as there is with a distribution.
- The direct rollover option is preferred in most cases.

### Indirect Rollover

- You are given funds from an existing retirement account via check; it is up to you to redeposit the funds into the new IRA.
- 20% mandatory withholding applies from qualified plans.
- There is a 60-day period to complete the rollover. Any amount not rolled over within the 60 days is subject to taxes and possible IRS penalties.

### Partial Rollover

You don't have to put the entire amount you withdraw from your retirement account into the IRA. You can roll over a part of the assets and do something else with the rest; this is called a partial rollover. Any portion distributed to you but not rolled over, more than likely, is taxable and subject to an IRA early-distribution penalty. Any portion remaining in the original IRA is not subject to tax from the partial rollover.

## A Consumer’s Guide to IRA Eligibility and Benefit Chart

IRA Type	Eligibility	Contribution Limits/Deadline																		
<b>Traditional IRA (Deductible)</b>	<p>Earned income</p> <p>Comply with income restrictions for deductibility if you are an active participant in a retirement plan</p> <p><b>Modified Adjusted Gross Income (MAGI) Limits for Deductible Traditional IRAs</b></p> <table border="0"> <tr> <td><b>Beginning</b></td> <td><b>Joint Filers</b></td> </tr> <tr> <td>2024</td> <td>\$123,000 - \$143,000</td> </tr> <tr> <td>2025</td> <td>\$126,000 - \$146,000</td> </tr> <tr> <td><b>Beginning</b></td> <td><b>Single Filers</b></td> </tr> <tr> <td>2024</td> <td>\$77,000 - \$87,000</td> </tr> <tr> <td>2025</td> <td>\$79,000 - \$89,000</td> </tr> <tr> <td><b>Beginning</b></td> <td><b>Non-active Participant Spouse (Joint Return)</b></td> </tr> <tr> <td>2024</td> <td>\$230,000 - \$240,000</td> </tr> <tr> <td>2025</td> <td>\$236,000 - \$246,000</td> </tr> </table>	<b>Beginning</b>	<b>Joint Filers</b>	2024	\$123,000 - \$143,000	2025	\$126,000 - \$146,000	<b>Beginning</b>	<b>Single Filers</b>	2024	\$77,000 - \$87,000	2025	\$79,000 - \$89,000	<b>Beginning</b>	<b>Non-active Participant Spouse (Joint Return)</b>	2024	\$230,000 - \$240,000	2025	\$236,000 - \$246,000	<p>\$7,000 for 2024 and 2025</p> <p><b>Catch-up Contributions for Individuals Age 50 or Older</b></p> <ul style="list-style-type: none"> <li>- \$1,000 for 2024 and 2025</li> <li>- April 15 deadline for contributions and catch-up contributions for prior year</li> </ul>
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<b>Roth IRA</b>	<p>Earned income</p> <p><b>Modified Adjusted Gross Income (MAGI) limits for Roth IRA contributions</b></p> <p><b>Taxable Year</b></p> <table border="0"> <tr> <td><b>Beginning</b></td> <td><b>Single Taxpayer</b></td> </tr> <tr> <td>2024</td> <td>\$146,000 - \$161,000</td> </tr> <tr> <td>2025</td> <td>\$150,000 - \$165,000</td> </tr> <tr> <td><b>Beginning</b></td> <td><b>Joint Returns</b></td> </tr> <tr> <td>2024</td> <td>\$230,000 - \$240,000</td> </tr> <tr> <td>2025</td> <td>\$236,000 - \$246,000</td> </tr> </table>	<b>Beginning</b>	<b>Single Taxpayer</b>	2024	\$146,000 - \$161,000	2025	\$150,000 - \$165,000	<b>Beginning</b>	<b>Joint Returns</b>	2024	\$230,000 - \$240,000	2025	\$236,000 - \$246,000	<p>\$7,000 for 2024 and 2025</p> <p><b>Catch-up Contributions for Individuals Age 50 or Older</b></p> <ul style="list-style-type: none"> <li>- \$1,000 for 2024 and 2025</li> <li>- April 15 deadline for contributions and catch-up contributions for prior year</li> </ul>						
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<b>Rollover IRA</b>	<p>Persons receiving a distribution eligible for rollover from a retirement plan or other IRAs</p>	<p>Any amount may be rolled over</p> <p>Must be rolled into an IRA within 60 days of the distribution (if an indirect rollover)</p> <p>Direct rollovers are the preferred method of rollovers</p>																		

Distribution Regulations	May Be Suitable For	Benefits
<p>Required Minimum Distributions must begin at the specified IRS RMD age.</p> <p>Distributions that avoid IRS withdrawal penalty:</p> <ul style="list-style-type: none"> <li>- Death or disability</li> <li>- First-time home purchase (\$10,000 maximum)</li> <li>- Qualified higher education expenses</li> <li>- Age 59½</li> <li>- Medical expenses (in excess of 7.5% of AGI)</li> <li>- Health insurance if unemployed</li> <li>- Received as substantially equal periodic payments over owner's life expectancy (72(t))</li> <li>- Qualified reservist distribution</li> <li>- Distributions due to IRS levy</li> <li>- Qualified hurricane distribution</li> </ul>	<p>Eligible persons desiring a current-year tax deduction</p> <p>Persons expecting to be in a lower tax bracket after retirement</p> <p>Nonemployed spouse, if filing a joint return</p>	<p>Tax-deductible contributions</p> <p>Tax-deferred growth</p> <p>Penalty-free withdrawals under certain circumstances</p> <p>Eligible Designated Beneficiaries may be able to "stretch" the IRA</p> <p><i>(Designated Beneficiaries are subject to the 10 year rule)</i></p>
<p>Contributions may be withdrawn tax free at any time</p> <p>Distributions are tax free if the account is held for at least 5 years and one of the following also apply:</p> <ul style="list-style-type: none"> <li>- Age 59½</li> <li>- Death or disability</li> <li>- First-time home purchase (\$10,000 maximum)</li> </ul>	<p>Persons ineligible for a deductible traditional IRA</p> <p>Persons expecting to be in a higher tax bracket after retirement</p> <p>Any persons with earned income</p> <p>Nonemployed spouse, if filing a joint return</p>	<p>Qualified withdrawals are tax-free</p> <p>Tax-deferred growth</p> <p>No Required Minimum Distributions during lifetime</p> <p>Eligible Designated Beneficiaries may be able to "stretch" the IRA</p> <p><i>(Designated Beneficiaries are subject to the 10 year rule)</i></p>
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\*No federal taxes apply; however, state tax treatment of Roth IRA earnings may vary by state.

# Your path *To and Through Retirement*<sup>®</sup> begins here.

Talk to your financial professional to see whether an IRA can complement your retirement portfolio or contact us at 800.888.2461.



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