

TRADITIONAL

IRA

An Overview of a
Traditional Individual
Retirement Account



Sit back and relax. Retirement
will be ready for take-off.

Enjoy your tax-advantages, knowing you won't pay taxes on your contributions until you *reach your final destination*.

There's a reason that the popularity of Traditional IRAs is soaring. They offer the best of both worlds: worry-free savings for retirement with tax-deferred earnings — plus tax-deductible contributions to lighten the tax burden year after year from now until retirement. A Traditional IRA allows you to sit back and relax, knowing your retirement earnings are 100% free from federal income tax until you take distributions.

The money in your Traditional IRA is always accessible, but if you wait until you retire to withdraw the money from your account, you could be in a lower tax bracket, meaning you ultimately would pay less tax than in another vehicle that makes you pay tax as you go.

Additionally, a Traditional IRA gives you the flexibility to easily move funds if your investment goals change.

IMPORTANT! Tax rules can be complicated. This brochure is intended to serve as a general overview. Before making any decisions, you should speak with a qualified tax advisor.

A Traditional IRA is a personal tax-favored savings account. It allows for tax-deductible contributions for most people. In addition, earnings are not taxed until you begin to withdraw from your IRA.

Who Can Contribute to a Traditional IRA

If you or your spouse have compensation, you may contribute to a Traditional IRA, even if you participate in another retirement plan, such as one sponsored where you work. If you are married, both you and your spouse may each have your own IRA; however, you may not have a joint IRA.

Contribution Limits

Contributions are limited to a specific dollar amount each tax year, depending on your age. For 2023, the contribution limit is \$6,500 if you are under age 50 (\$7,000 for 2024), or \$7,500 if you are age 50 or older (\$8,000 for 2024). Future limits are subject to cost-of-living adjustments. Contributions may not exceed 100% of your compensation (e.g., wages, tips, professional fees, bonuses, etc.). If either you or your spouse have little or no compensation, the spousal rules may allow each of you to contribute the full amount to your IRAs.

“Do something today that your future self will thank you for.”

– SEAN PATRICK FLANERY



Annual Contributions Timeline

Contributions for a year may be made up to the tax-filing deadline (usually April 15) for that year, not including extensions.

Tax-Deductible Contributions

Your contributions are fully deductible if, for the year you contribute, you (you and your spouse, if married) do not actively participate in a retirement plan at work. If you (or your spouse) do participate in a retirement plan at work, you may be eligible for either a full or a partial deduction based on your tax-filing status and income. If your income exceeds the limits set for that year, no deduction will be allowed.

Withdrawing Funds From a Traditional IRA

You may withdraw money from your Traditional IRA at any time. The taxable portion of the withdrawal will be taxed as ordinary income. Distributions taken before you reach age 59½ may be subject to the IRS 10% early withdrawal penalty.

Withdrawing Without Incurring IRS Penalties

In certain situations, you can take money out prior to age 59½ without IRS penalty. These include distributions that are taken:

- While you are disabled
- For a qualifying first-home purchase (\$10,000 lifetime maximum)
- For certain higher education costs
- To pay for health insurance if you are unemployed
- For a qualifying birth or adoption (\$5,000 limit)

Note: It is best to determine if you qualify for an exception to the IRS 10% early distribution penalty before you withdraw money from your Traditional IRA prior to age 59½.

Once you reach age 59½, the taxable portion of any distribution you take is taxed as ordinary income; however, the IRS 10% early withdrawal penalty no longer applies.



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