ROTH

IRA

The Ins and Outs of a Roth Individual Retirement Account

A secure retirement begins with the foundation you build today.

Reinforce your financial outlook. Chisel away at your savings when you're ready.

A Roth IRA can make your retirement a whole lot stronger, because the money you put into a Roth IRA today comes back to you tax-free during retirement — along with the tax-free interest your money earns while it's in there.

Provided you follow certain guidelines, every dollar you invest in a Roth IRA grows tax-free and is distributed to you completely tax-free. And if you need it, the money in your Roth IRA is always accessible; you can withdraw funds at any time.

A Roth IRA is an integral part of any financial plan. Unlike a Traditional IRA, you don't have to start taking distributions at any age, as long as you are alive, which means you have more flexibility during your retirement years and you can pass more on to your heirs.

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 Roth IRA is a retirement plan that is generally not taxed, providing certain conditions are met. You may withdraw the money you put in, completely federal income tax-free and penalty-free, any time and at any age.

Who Can Contribute to a Roth IRA

You may contribute to a Roth IRA as long as you have income from working and do not exceed the income limits set for that year. There is no maximum age limit for contributing. If married, you and your spouse may each set up your own Roth IRA. If one spouse has little or no compensation, the spousal rules may allow each of you to contribute to your Roth IRAs.
A maximum income limit applies to Roth IRA contribution eligibility. If you are a single taxpayer and your total income exceeds $153,000 for 2023 ($161,000 for 2024) or you are married, filing jointly, and your total income exceeds $228,000 for 2023 ($240,000 for 2024), you may not contribute to a Roth IRA.

Contribution Limits

Contributions are limited to a specific dollar amount each tax year, based on your age.
For 2023, the contribution limit is $6,500 if you are under age 50 ($7,000 for 2024), and $7,500 if you are age 50 or older ($8,000 for 2024). Contributions may not exceed 100% of compensation (e.g., wages, salaries, tips, professional fees, bonuses, etc.). If you or your spouse has little or no compensation, the spousal rules may allow each of you to contribute the full amount to your Roth IRAs.

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. Remember, there is no maximum age limit; if you are working, contributions can be made for the year, regardless of your age.

Converting Other Retirement Funds

You may convert all or part of your Traditional IRA or workplace retirement plan (WRP) to a Roth IRA. While you will pay taxes on the pretax funds you convert, think of it as an upgrade: paying tax on the proceeds of your Traditional IRA or WRP now so you can reap the rewards of tax-free withdrawals later. (And, there is no IRS 10% penalty on a conversion.)

Withdrawing Funds From a Roth IRA

You can take money out of your Roth IRA at any time. Unlike a Traditional IRA, you are never required to withdraw from your Roth IRA, while you are alive. Your account can continue to grow until you need the funds, and any funds you don't need can be passed on to your heirs.

For tax purposes, funds from your Roth IRA are withdrawn in the following order:

- Regular contributions come out first, penalty-free and tax-free.
- Converted funds come out next, tax-free. They are also withdrawn penalty-free, provided these funds are withdrawn after the required five-year period or if an exception applies (e.g., reaching age 59½, becoming disabled, using money for higher education expenses, etc.).
- Earnings come out last. They are penalty-free and tax-free if withdrawn after the required five-year period AND one of these four situations applies: you are over age 59½, disabled, withdrawing for a first-time home purchase, or you have died. There are other situations that allow you to withdraw earnings penalty-free, but not tax-free.

"Make more than you spend and invest the difference wisely. Add time to that equation, and that is how you build wealth."

– ROB BERGER

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