

What you Need to Know About an IRA

from Robin S. Weingast & Associates

An individual retirement account – also known as an IRA – can be a tax-savvy way to build your retirement savings. Here's what you need to know about IRAs.

Individual Contributions

Typically, anyone who receives taxable compensation of any kind (wages, salaries, tips) can contribute to an IRA. You must be under 70 1/2 to contribute to a traditional IRA and your income must be under a certain amount to contribute to a Roth IRA. Roth IRAs don't have age limits.

IRAs and Employer Plans

Even if you participate in an employer-sponsored retirement plan, you can still contribute to an IRA. Keep in mind that the deductibility of your contributions may be affected if you do so.

Tax Deductions and IRAs

Roth IRA contributions are not tax deductible, but earnings grow tax-free & qualified withdrawals are tax-free. If you & your spouse have employer sponsored plans, there are income limits that determine the deductibility of your traditional IRA contributions.

IRAs and Unemployment

If you are unemployed and married, you can contribute to an IRA if your spouse has taxable income and your contributions don't exceed his/her taxable compensation.

The Right IRA For You

If you can deduct traditional IRA contributions, then a traditional IRA will reduce your taxes – a helpful option if you think you will be taxed at a lower rate in retirement. If you can contribute to a Roth IRA, doing so will enable your investment earnings to grow tax-free. You will also be able to make tax-free qualified withdrawals in retirement. The right IRA depends on your current financial situation and your future financial goals. An adviser can help you make a decision that works for you.

Rolling Over Your IRA

Once you turn 70 1/2 you can transfer your savings from another retirement account into a traditional or Roth IRA – although you cannot make new contributions.

IRAs and Your Children

If your child receives wages from a job, you can contribute to his or her IRA, with contributions limited to his or her taxable compensation, or the IRA contribution limit (whichever is less). Saving as soon as your child starts working maximizes the time the savings compounds.

IRA Contribution Limits

Under 50: \$5,000/year. Over 50: \$6,500/year.



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