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Individual Retirement Accounts (IRAs)

IRAs are a tax-advantaged way to help build savings for retirement. There are different types of IRAs to choose from, each with its own set of rules and considerations. It is important to understand, among other things, the contribution limits, distribution rules and tax implications of each plan. Here are answers to some common questions about IRAs.

What types of IRAs are available?

Two common IRAs are the Traditional IRA and the Roth IRA.

Traditional IRA

In general, a Traditional IRA is a retirement savings account that may allow contributions to be deducted from current income, creating potential tax benefits now and allowing contributions and potential earnings to grow tax-deferred. Later, when funds are distributed, earnings (if any) and contributions that were tax deductible are taxed as ordinary income.

All individuals with earned income are eligible to open and contribute to a Traditional IRA. Contributions may be fully or partially deductible based on you and your spouse's modified adjusted gross income when you and/or your spouse also participate in an employer-sponsored retirement plan (see table on page 2).

Except under certain conditions, distributions from a Traditional IRA before age 59½ may result in a 10 percent early withdrawal penalty. Traditional IRA owners generally must begin receiving required minimum distributions (RMDs)

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COMPARE THE CHARACTERISTICS OF A TRADITIONAL (TRAD.) IRA AND A ROTH IRA

	TRAD.	ROTH
Tax-deductible contributions (if income requirements are met)	X	
Tax-free withdrawals on savings during retirement		X
Tax-deferred growth on savings	X	X
Penalty-free access to contributions before retirement		X
No required minimum distributions (RMDs) after age 70½		X
Contribute in addition to a retirement plan at work	X	X
Contribute after age 70½ if you have earned income		X
Rollover your pre-tax 401(k) plan without paying taxes*	X	
Tax-deferred growth on savings if your income is too high to make a Roth IRA contribution	X	

*Among other things, keep fees, charges and investment options in mind. Consult with your tax advisor before rolling over funds.

Please see disclosures on page 4.

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from their IRA by April 1 of the year following the year in which they reach age 70½. The amount that must be withdrawn is calculated based on a factor taken from the appropriate IRS table and is based on the life expectancy of the owner and possibly his or her spouse as beneficiary, if applicable. If the RMD is not taken, the penalty is 50 percent of the amount that should have been taken. After the owner's death, distributions must continue, and if there is a designated beneficiary, distributions can be based on the life expectancy of the beneficiary. Please consult with your tax advisor and financial professional for details.

Roth IRA

In contrast to a Traditional IRA, contributions to a Roth IRA are not tax-deductible. If you qualify to contribute to this type of account (based on your annual income), a Roth IRA allows you to save the potential tax benefits for later—even beyond your own life if beneficiaries inherit your Roth IRA—by paying taxes on contributions now, and at current rates.

If holding period requirements are met (generally five years), earnings, if any, from a Roth IRA can be withdrawn tax-free after age 59½. Contributions to a Roth IRA can be withdrawn tax-free at any time. Under current rules, Roth IRA account owners are not required to take minimum withdrawals after age 70½, giving them more flexibility to time withdrawals as needed or help pass on tax-free money to heirs.

There are specific contribution limits for Roth IRAs based on your filing status and income (see table on page 3).

How much can I contribute to an IRA?

The total annual amount you can contribute to all IRAs is $5,500 ($6,500 for those age 50 and older) or your compensation from working, whichever is smaller. These dollar limits are for 2017 and are adjusted periodically for inflation. The total may be split between any number of Traditional and Roth IRAs. In the case of a married couple, each spouse may contribute on an individual basis. Again, if you, or your spouse, are covered by an employer-sponsored retirement plan or have earned income in excess of specified limits, your contribution and tax benefit may be limited or phased out.

INCOME LIMITS FOR TAX-DEDUCTIBLE CONTRIBUTIONS TO A TRADITIONAL IRA (for 2017)

For those participating in an employer-sponsored retirement plan

FILING STATUS	FULL DEDUCTION	PARTIAL DEDUCTION
Married filing jointly, or qualifying widow(er)	Modified AGI* $99,000 or less	Modified AGI between $99,001 and $119,000
Single, or head of household	Modified AGI $62,000 or less	Modified AGI between $62,001 and $72,000
Married filing separately	Not allowed	Income between $0 and $10,000

For those not covered by or participating in an employer-sponsored retirement plan

FILING STATUS	FULL DEDUCTION	PARTIAL DEDUCTION
Married filing jointly, or separately, with a spouse who IS NOT covered by a plan at work	Any amount up to your contribution limit	N/A
Married filing jointly, with a spouse who IS covered by a plan at work	Modified AGI of $186,000 or less	Modified AGI between $186,001 and $196,000
Single, head of household, or qualifying widow(er)	Any amount up to your contribution limit	N/A
Married filing separately, with a spouse who is covered by a plan at work	Not allowed	Income between $0 and $10,000

*Adjusted Gross Income.
Source: Internal Revenue Service Publication 590.

What if I am a non-working spouse?

For 2017, if you file a joint return, your annual contribution to a Spousal IRA is the lesser of the IRA contribution limit of $5,500 ($6,500 for those age 50 and older), or your combined household gross income for the year (minus the working spouses contribution to an IRA or Roth IRA).

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ROTH IRA CONTRIBUTION LIMITS (for 2017)
Contribution limits for Roth IRAs are based on filing status and income.

FILING STATUS	CONTRIBUTION LIMIT REDUCED	NO CONTRIBUTION ALLOWED
Married filing jointly, or qualifying widow(er)	If modified AGI* is at least $186,000	If modified AGI is $196,000 or more
Single, head of household, or married filing separately and you did not live with your spouse at anytime in 2016	If modified AGI is at least $118,000	If modified AGI is $133,000 or more
Married filing separately	If modified AGI is more than $0	If modified AGI is $10,000 or more

*Adjusted Gross Income.
Source: Internal Revenue Service Publication 590.

Contributions may be made to a Traditional IRA, Roth IRA or a combination, but cannot exceed the overall contribution limits.

This means that the total combined contributions to a working spouse IRA along with a non-working spouse IRA can be as much as $11,000 ($12,000 if only one of you is age 50 or older, or $13,000 if both of you are age 50 or older). If the working spouse is participating in an employer plan, the income limits for deductibility for the Spousal IRA contributions apply.

What is the maximum age limit for IRA contributions?

- Traditional IRA: Once you reach the year in which you turn age 70½ you are no longer eligible to make a Traditional IRA contribution.
- Roth IRA: There is no upper age limit to make a contribution to a Roth IRA.

Age limits for IRA contributions are different from those for IRA rollovers and transfers. IRA rollovers—moving money from an employer-sponsored retirement plan (such as a 401k or 403b) directly to an IRA—may be executed at any age after certain conditions are met. The same is true for IRA transfers (transferring money from one IRA to another IRA). Please discuss with your tax and financial professionals.

Should I roll money from employer-sponsored retirement plans, such as a 401(k), to my IRA?

One of the biggest decisions to consider about an employer-sponsored retirement savings plan is what to do with your plan balance after you leave your job. To help preserve tax-advantaged growth of potential earnings (if any), you have the option to rollover retirement savings from employer-sponsored plans of former employers into Traditional or Roth IRAs.

A rollover of qualified plan assets into an IRA is not your only option. Before deciding whether to keep an existing plan, or roll assets into an IRA, be sure to consider potential benefits and limitations of all options. These include total fees and expenses, range of investment options available, penalty-free withdrawals, availability of services, protection from creditors, RMD planning and taxation of employer stock. Discuss rollover options with your tax advisor for tax considerations.

Can I convert a Traditional IRA or other retirement plan assets to a Roth IRA?

If you have money accumulated in a Traditional IRA or employer-sponsored retirement plan, you can convert some or all of those assets to a Roth IRA. Taxes are due (at the ordinary income tax rate) at the time of the conversion on all pre-tax contributions and potential earnings that are being converted to a Roth IRA. Once converted to a Roth IRA, any potential earnings can accumulate on a tax-free basis (if holding period requirements are met), helping give you more flexibility to manage your cash flow in retirement.

How can I invest my IRA dollars?

IRAs can be funded with stocks, bonds, mutual funds, annuities, ETFs, UITs, money market accounts, CDs and more. There are some investments that are not allowed in IRAs. A financial professional can work with you to help you choose the options appropriate for you and your unique situation.

Does it make sense to consolidate multiple IRAs?

Keeping track of different IRA accounts with multiple institutions can be a challenge. It may be beneficial to consolidate those assets into a single IRA account with one financial service provider just prior to or at retirement. Consolidation can make it easier to help manage the investments in your IRA and to determine an appropriate plan to take either voluntary or mandatory distributions from the account in retirement.

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If I own a small business what types of IRA retirement savings plans can I offer?

Small business owners and self-employed individuals may establish tax-advantaged IRA retirement savings plans using either a Simplified Employee Pension IRA (SEP IRA) or a Savings Investment Match Plans for Employees IRA (SIMPLE IRA). Other options may be available. These are considered employer-sponsored retirement plans and may limit or phase out deductibility for Traditional IRA contributions if income exceeds the thresholds (see chart on page 2).

SEP IRA

SEP IRAs help give you as a self-employed individual or small-business owner access to a tax-deferred retirement saving vehicle that may allow you to make substantially larger deductible contributions than an individuallyowned IRA. The SEP IRA allows you as the business owner to make tax-deductible contributions to an individual retirement account on behalf of each eligible employee (including yourself). Contributions are directed into a Traditional IRA. Employees have the flexibility to move funds from their SEP plan if they change employers.

SIMPLE IRA

A SIMPLE IRA lets companies with 100 or fewer employees offer a tax-advantaged retirement plan, funded by employer contributions and elective employee salary deferrals to each eligible employee's SIMPLE IRA account. Pre-tax contributions can be deferred from an employee's compensation into a SIMPLE IRA account.

Are there exceptions to the rule that would allow distributions without penalty prior to age 59½?

There are several specific exceptions (popularly known as hardship withdrawals) to this rule including: first-time home purchase, qualified education expenses, death or disability, unreimbursed medical expenses, and health insurance if you're unemployed. Keep in mind that this is not an all-inclusive list.

This retirement topic is only intended to provide a basic understanding of IRAs. Before investing, discuss your situation with a financial and tax professional.

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