Required distributions

Once the account owner reaches age 73, withdrawals geared to life expectancy must be made from a Traditional IRA. The required minimum distribution rules do not apply to the Roth IRA, but they do apply to persons who inherit a Roth IRA.

Getting trusted advice

Investors with questions about building a capital base for retirement should bring them to us. From estimating expenses to projecting income, we have a variety of tools to help with retirement planning. We can provide guidance on appropriate investments for taxable and tax-preferred portfolios.

The sooner investors start accumulating funds for their retirement, the more likely they are to succeed in establishing their financial independence. We're here to help.

USE INSTRUCTIONS:

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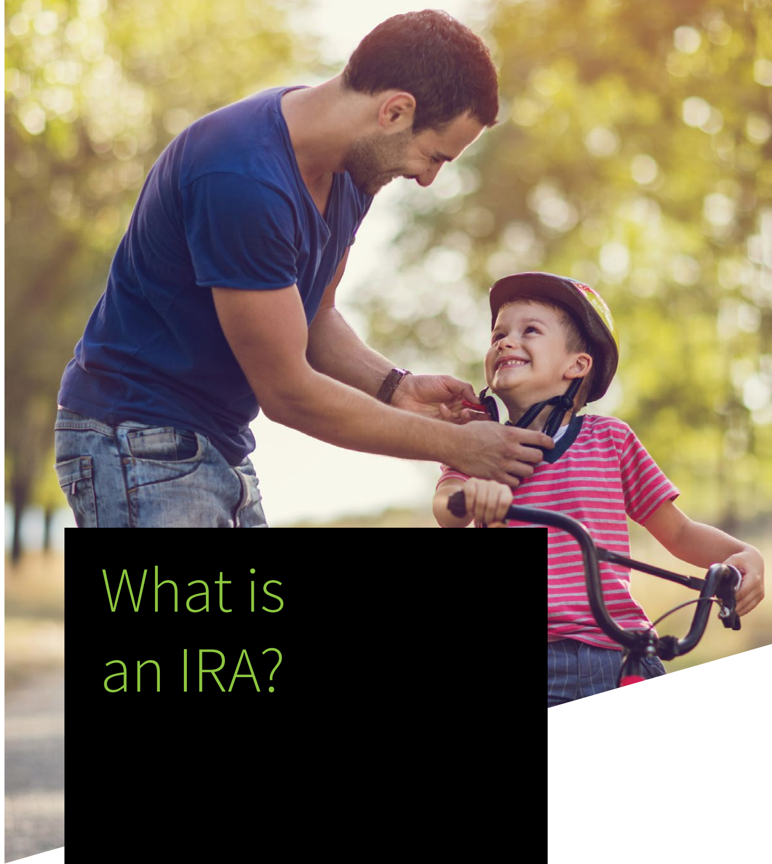

What is an IRA?

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What is an IRA?

An Individual Retirement Account, or IRA, is a tax-favored way to save more money for retirement. IRAs come in two varieties, the Traditional IRA and the Roth IRA. The difference comes in the timing of the tax break. The Traditional IRA may provide an up-front adjustment to income subject to tax, and no deductions are permitted for Roth IRA contributions. On the other hand, withdrawals from Roth IRAs are potentially completely tax free, while all distributions from a Traditional IRA are taxed as ordinary income at both the state and federal levels.

Contributions

The contribution limit for the 2023 tax year is $6,500 for either type of IRA. A taxpayer may contribute to both Traditional and Roth IRAs in the same tax year, but the total contributions can't exceed $6,500 .

Exception: Taxpayers who are 50 or older during the tax year are permitted to contribute an extra $1,000 to their IRAs as a "catch-up" contribution.

Important limits

Unfortunately, the availability of IRAs is limited, based upon each taxpayer's adjusted gross income. For the Traditional IRA, the limit is on the available tax deduction, which gets gradually smaller as income goes higher. For the Roth IRA, the limit is on the permitted contribution. The phaseout ranges for 2023 are shown in the next table.

Traditional IRA	
Filing status	**AGI**
Married, filing jointly, both active participants in employer plans	$116,000 - $136,000
Married, filing jointly, one active participant in an employer plan	$218,000 - $228,000
Single or head of household	$73.000 - $83,000
Married filing separately	$0 - $10,000
Roth IRA	
Married filing jointly	$218,000 - $228,000
Single or head of household	$138,000 - $153,000
Married filing separately	$0 - $10,000

Source: Internal Revenue Code

Distribution issues

The tax issues for IRA distributions are almost as complicated as for contributions.

Traditional IRA. Distributions before age 59½ are "premature" and subject to an additional, nondeductible 10% penalty tax. **Primary Exceptions:** The penalty tax doesn't apply to IRA withdrawals of up to $10,000 of expenses for a first-time home purchase, to withdrawals by unemployed individuals to pay medical insurance premiums, or to withdrawals for "qualified higher education expenses."

Roth IRA. Tax-free distributions from a Roth IRA become possible five years after the first tax year for which a Roth contribution has been made. In addition, the distribution must satisfy one of four requirements:

- after the individual is 59½ ;
- because the individual is disabled;
- to a beneficiary after the account owner's death; or
- for qualified first-time homebuyer expenses.

IRAs Compared		
	Traditional IRA	**Roth IRA**
Eligibility	• Any wage earner and any nonworking spouse may contribute	• Any wage earner and any nonworking spouse, provided modified adjusted gross income is less than $138,000for singles, $218,000 for married couples filing jointly
Tax treatment	• Investment income is tax-deferred until withdrawal • Contributions are tax-deductible for some taxpayers	• Investment income is potentially tax free • No deductions are permitted
Withdrawals	• All withdrawals are subject to income tax. • Penalty-free withdrawals may begin at age 59½ • No penalty for withdrawals due to death, disability, up to $10,000 for a first-time home purchase, or qualified medical or educational expenses, among others. • Minimum distributions must begin at age 73	• Contributions may be withdrawn free of income tax or penalties • After five years earnings may be withdrawn tax free if the owner is age 59½, in case of death or disability, or up to $10,000 for a first-time home purchase • No minimum distributions are required

Source: Internal Revenue Code