

ROTH IRA

Tax-free income at retirement

The Roth IRA is a retirement account alternative for individuals who prefer the tax-free earnings at retirement instead of the annual tax deduction of the Traditional IRA. It is also available to those individuals who do not qualify for the tax deduction due to their participation in an employer sponsored retirement plan.

Contribution Eligibility

- You or your spouse (if filing a joint tax return) must have earned income for the tax year of the contribution.
- Single tax filers with MAGI of \$138,000.00 or less may make a full contribution. Between \$138,000.00 and \$153,000.00 a partial contribution is allowed. For MAGI \$153,000.00 and over, no contribution is allowed for tax year 2023.
- Married/joint tax filers with MAGI of \$218,000.00 or less may make a full contribution. Between \$218,000.00 and \$228,000.00 a partial contribution is allowed. For MAGI \$228,000.00 and over, no contribution is allowed for tax year 2023.

Contribution Limit

- \$6,500.00 maximum per person for tax year 2023.
- \$1,000.00 additional if you are age 50 or older.

Tax Benefit

- All earnings are penalty and tax free after 5 years and attaining age 59½, disability, death or certain first-time homebuyer expenses.
- Principal contributions are already taxed, therefore not subject to tax or penalty when withdrawn.
- If you are within certain income limits, you may be eligible for a tax credit of up to 50% of your contributions not exceeding \$2,000.00. (Consult a tax advisor to see if you are eligible).

Distributions

Distributions are tax and penalty free if two conditions are met. The Roth IRA must be open for a minimum of five years and one of the following to be considered a Qualified distribution.

- Reaching age 59½
- Disability
- Death
- First time homebuyer expenses (\$10,000.00 limit per person)

Required Minimum Distributions

- There are no Required Minimum Distributions for the Roth IRA owner during their lifetime. There are however, required distributions for a beneficiary once they inherit the Roth IRA.

You may choose to open a Traditional IRA or Roth IRA. You may be eligible to open both types. If so, the contribution limit of \$6,500.00 per tax year would be split between the two retirement plans.

If you would like more information on Individual Retirement Accounts go to www.irs.gov Publication 590. We suggest you consult a tax or financial advisor to discuss your eligibility.

