

TRADITIONAL IRA

Tax-deferred savings for your retirement

The Traditional IRA is a retirement account that is funded by an individual's own earnings. Contributions and earnings are tax-deferred until withdrawn. This IRA is a great source of retirement income in addition to your social security or pension.

Contribution Eligibility

- You or your spouse (if filing a joint tax return) must have earned income for the tax year of the contribution.

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

- Contributions can be tax-deductible and remain tax-deferred until withdrawn at retirement.
- Funds may be withdrawn penalty free after age 59½.
- Non-deductible contributions will earn interest which remains tax-deferred until withdrawn.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).

Contributions are Tax-deductible

- Total contribution is tax deductible if you are not an active participant in an employer sponsored retirement plan.
- If you are an active participant in an employer plan, your deduction is based on your modified adjusted gross income (MAGI) for the tax year. For tax year 2023:

- A single tax filer with MAGI of \$73,000.00 or less will receive a 100% deduction. If MAGI is \$83,000.00 or more there is no deduction. The deduction is gradually phased out for income between these amounts.
- A married/joint tax filer with MAGI of \$116,000.00 or less will receive a 100% deduction. If MAGI is \$136,000.00 or more there is no deduction. The deduction is gradually phased out for income between these amounts.

Distributions

Distributions are taxable in the year they are withdrawn. If funds are withdrawn before age 59 ½ a 10% early distribution penalty will be assessed by the Internal Revenue Service unless one of the following exceptions applies:

- Disability
- Death
- Health insurance premiums for the unemployed under certain conditions
- IRS Tax Levy
- Qualifying Medical Expenses
- Qualified higher education expenses
- Qualifying first-time homebuyer expenses (\$10,000.00 limit per person)
- Substantially equal periodic payments
- Qualified Reservist distributions
- Birth or Adoption of a child (\$5,000.00 lifetime limit.)

Required Minimum Distributions

- Traditional IRA distributions are required beginning in the year the account owner turns age 73 and each year thereafter. Failure to take a required minimum distribution (RMD) could result in a 50% penalty by the IRS on the RMD.