

Traditional and Roth IRA Overview - 2024

The table below provides an overview of the main differences and similarities between Traditional and Roth IRAs.

Wealth Solutions Group

Contact your Financial Advisor with questions.

| Features | Traditional IRA | Roth IRA |
|--|---|---|
| Key Tax Benefit | Tax-deferred growth and possible tax deduction for contributions. | Tax-deferred growth and tax-free distributions. |
| Who It's Best For | Individuals who are not covered by an employer plan at work and are eligible to make tax-deductible contributions. Individuals who may be in a <u>lower</u> tax bracket in retirement. | Individuals who are covered by an employer plan at work and are <u>not</u> eligible to make tax-deductible contributions. Individuals who may be in a <u>higher</u> tax bracket in retirement. |
| Eligibility Requirements | If you have earned income, regardless of age. Deductions subject to income limits—see below. | If you have earned income, regardless of age. Subject to income limits—see below. |
| Contribution Limits | The lesser of 100% of earned income or \$7,000 or \$8,000 if age 50 or older ¹ . Aggregated with Roth IRA contributions. | The lesser of 100% of earned income or \$7,000 or \$8,000 if age 50 or older ¹ Aggregated with Traditional IRA contributions. |
| Spousal IRA² (For non-working spouse) | YES. As long as working spouse has earned income to cover contribution. | YES. As long as working spouse has earned income to cover contribution. |
| Contribution Deadline | By April 15 – individual tax filing deadline. No extensions given. | By April 15 – individual tax filing deadline. No extensions given. |
| Tax-Deductible Savings | YES. Subject to Modified Adjusted Gross Income limits (MAGI)—see below. | NO. Funded with after-tax dollars only. |
| Single tax filer, married, or married filing separately³. You are not covered by employer plan (and nor is your spouse). | <u>Deduction Limits (MAGI)⁴</u> No income limit for deductibility | <u>Contribution Limits (MAGI)</u> Participation in employer plan does not affect Roth IRA contribution eligibility. See respective tax filing status for Roth IRA contribution eligibility. |
| Single tax filer or married filing separately. You are covered by employer plan. | <u>Deduction Limits (MAGI)⁴</u> \$77,000 or less = full amount More than \$77,000 but less than \$87,000 = partial amount \$87,000 or more = no deduction | <u>Contributions Limits (MAGI)</u> Less than \$146,000 = full amount More than \$146,000 but less than \$161,000 = partial amount \$161,000 or more = none |
| Married filing jointly. You are covered by an employer plan. | <u>Deduction Limits (MAGI)⁴</u> \$123,000 or less = full amount More than \$123,000 but less than \$143,000 = partial amount \$143,000 or more = no deduction | <u>Contributions Limits (MAGI)</u> Less than \$230,000 = full amount More than \$230,000 but less than \$240,000 = partial amount \$240,000 or more = none |

Traditional and Roth IRA Overview – 2024, *continued*

| Features | Traditional IRA | Roth IRA |
|--|---|---|
| Married filing jointly. You are not covered by an employer plan, but your spouse is covered. | <u>Deduction Limits (MAGI)</u> ⁴ \$230,000 or less = full amount More than \$230,000 but less than \$240,000 = partial amount \$240,000 or more = none | <u>Contributions Limits (MAGI)</u> Less than \$230,000 = full amount More than \$230,000 but less than \$240,000 = partial amount \$240,000 or more = none |
| Married, filing separately (and you lived with spouse at any time during the year), and YOU are covered by employer plan (or your spouse is covered). | <u>Deduction Limits (MAGI)</u> ⁴ Less than \$10,000 = partial amount More than \$10,000 = no deduction | <u>Contributions Limits (MAGI)</u> More than \$0 but less than \$10,000 = partial amount \$10,000 or more = none |
| Features | Traditional IRA | Roth IRA |
| Conversion to a Roth IRA | YES. Beginning in 2010, everyone is eligible for a Roth conversion. | N/A |
| Penalty-Free Withdrawals Before age 59½ | NO. However, the following Distributions are exempt from the 10% premature penalty tax (but still subject to ordinary income tax): <ol style="list-style-type: none"> (1) Death or disability of IRA owner (2) First-time home purchase (3) Higher educational expenses (4) Medical Expenses that exceed 7.5% of AGI (5) Health insurance for unemployed (6) Substantially equal periodic payments – 72(t) | YES - For Contributions only; however, earnings must wait until the later of five years and age 59 ½ to be withdrawn penalty free unless one of the following exceptions to the 10% penalty apply: <ol style="list-style-type: none"> (1) Death or disability of IRA owner (2) First-time home purchase (3) Higher educational expenses (4) Medical Expenses that exceed 7.5% of AGI (5) Health insurance for unemployed (6) Substantially equal periodic payments – 72(t) |
| Tax and Penalty-Free Qualified Distributions | N/A | YES - Contributions may be withdrawn tax & penalty free at any time; however, earnings must wait <u>five</u> years from beginning of contribution year AND one of these qualifying events must also occur: <ol style="list-style-type: none"> (1) Attainment of age 59-½ (2) Death or disability of IRA owner (3) First-time home purchase |
| Features | Traditional IRA | Roth IRA |
| Other Taxation Issues for IRA Withdrawals | All earnings and deductible contributions are taxable at ordinary income tax rates. For Traditional IRAs with nondeductible contributions, withdrawals occur pro-rata with a combination of non-deductible contributions, and deductible contributions and earnings. | Distribution ordering rule: <ol style="list-style-type: none"> (1) Contributory dollars distributed first (2) Then Conversion amounts (3) Earnings are last to be distributed Roth IRA Conversion amounts withdrawn within the first five years are subject to 10% penalty, if under age 59-½. |
| Required Minimum Distributions (RMDs) | YES. Distributions must commence at age 73, and RMD amounts are based on life expectancy of IRA owner. | NO. Not required during lifetime of Roth IRA owner. |

¹The catch-up can be made any time during the year you turn 50.

²You must be married, filing a joint tax return.

³If you did not live with your spouse at any time during the year and you file a separate return, your filing status, for this purpose is single.

⁴You can still contribute to a Traditional IRA, even if the contribution is non-deductible. For every year in which you make a non-deductible contribution to a Traditional IRA, you will need to file IRS Form 8606 to report the non-deductible contribution.