

IRA VS. ROTH IRA

UNDERSTANDING THE FACTS

NEW 2019 CHANGES

Traditional and Roth IRA's both have some consistencies with one another as well as each presenting some unique advantages. Here are some of the facts that can aid to your understanding as well as help you identify how you can take advantage of these qualified accounts.

Traditional IRA

- Anyone under 70 ½ with earned income is eligible
- 2018 contributions limits- \$5,500/\$6,500 if over 50 years old or 100% of employment compensation, whichever is less.
- **New 2019 Contribution limits- \$6,000/\$7,000 if over 50 years old** or 100% of employments compensation, whichever is less
- Contributions are tax deductible
- Earnings are tax deferred
- Withdrawals before age 59 ½- deductible contributions and earnings are taxed as ordinary income plus a 10% penalty for early withdrawal (some exclusions may apply)
- Withdraws after age 59 ½-Deductible contributions and earnings are taxed as ordinary income. After age 70 ½ there are required minimum distributions



Roth IRA

- Any age with employments compensation that that does not exceed certain adjusted gross (AGI) limits is eligible
- 2018 contribution limits- 2018 contributions limits- \$5,500/\$6,500 if over 50 years old or 100% of employment compensation, whichever is less.
- **New 2019 Contribution limits- \$6,000/\$7,000 if over 50 years old** or 100% of employments compensation, whichever is less
- Contributions are not tax deductible
- Earning grow tax free as long as they have been open for 5 years and aren't withdrawn before age 59 ½
- Withdrawals before 59 ½- contributions may be withdrawn without penalty/tax. However, earnings will be subject to 10% penalty as well as ordinary income tax
- Withdrawals after age 59 ½ contributions may be withdrawn at any time penalty/tax free. Earnings may be withdrawn penalty/tax free as long as account has been open for 5 years. No required minimum distribution

2019 Contribution Deadline is April 15th 2020

If you have any questions or would like to open up a Roth or Traditional IRA give us a call

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