



# INDIVIDUAL RETIREMENT ACCOUNTS (IRAS)

Traditional, Roth and Rollover

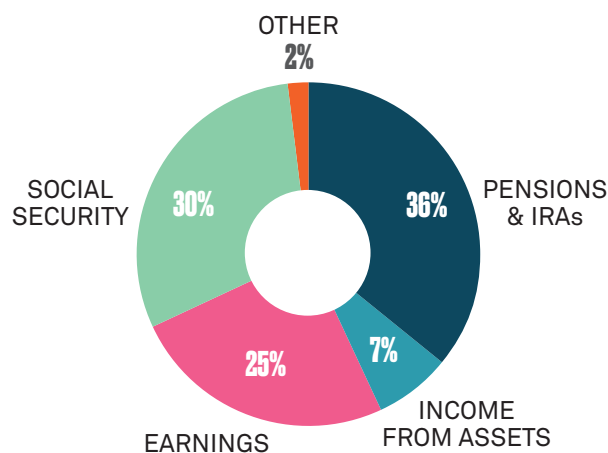
INVEST FOR RETIREMENT WITH TAX-ADVANTAGED ACCOUNTS

# YOUR RETIREMENT

It may be your ultimate reward for a lifetime of hard work and dedication. It's a time when you may have the financial freedom to enjoy yourself without worrying about schedules and deadlines. Whatever your plans may be, more than ever, it's up to you to finance your retirement dreams.

## IT'S YOUR RESPONSIBILITY

Social Security may provide a portion of your retirement income, but you will likely need to supplement with other sources, such as earnings and income from investments.



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## Where Will Your Retirement Money Come From?

You can't just rely on Social Security alone for retirement.

Source: Retirement Learning Center, May 27, 2022, based on Social Security Administration data: Improving the Measurement of Retirement Income of the Aged Population, 2021

## TAKE THE FIRST STEP NOW

The good news is that there are steps you can take now to secure your retirement dreams—and your financial professional can help. One way is to take advantage of tax-deferred investment opportunities like Individual Retirement Accounts (IRAs).

Keep in mind that investing involves risk. The value of your investments will fluctuate over time and you may gain or lose money.

# HOW AN IRA MAY BENEFIT YOU

IRAs are specially designed for retirement saving and investing, while offering advantages not found in other types of accounts.

With a Traditional IRA, contributions may be federally tax-deductible, and your earnings and tax-deductible contributions are not taxed until withdrawn, providing the benefit of tax-deferred growth and the potential for an immediate tax benefit. A Roth IRA also provides for federal tax-deferred growth, although contributions are not tax-deductible. However, the most potentially valuable feature of a Roth IRA is that contributions and earnings may be withdrawn federal income tax-free if certain conditions are met. There is no age limit to contribute to an IRA as long as the account owner has earned income.

## CATCH-UP CONTRIBUTIONS

If you are close to retirement and think it's too late to benefit from an IRA, you may want to take another look. Having only a few years of tax advantages can still make a difference. If you do not need to access your IRA money immediately, you may be able to let it grow for later use. If you are age 50 or older, you can contribute an additional \$1,000 for 2023 and 2024 as a catch-up contribution.

## KEEP IN MIND

Of course, investing in an IRA is not the only important component of an effective retirement savings strategy. Maximizing contributions to employer plans, like 401(k)s, investing through taxable accounts and owning your own home can build funds for retirement, too. But the tax advantages of IRAs shouldn't be ignored—they can be critical to building long-term assets.

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## Did You Know?

Only half of workers have tried to calculate how much money they will need in retirement.

Source: EBRI 2023 Retirement Confidence Survey

# TYPES OF IRAS— THE BIG PICTURE

Both Traditional and Roth IRAs have unique characteristics and can be used differently to assist you with your overall retirement plan.

## TRADITIONAL IRA

A Traditional IRA works very simply. If you have earned income, you can contribute up to \$6,500 for 2023 and \$7,000 for 2024 (plus an additional \$1,000 if you are age 50 or older), less any contributions made to a Roth IRA.

Depending on your Modified Adjusted Gross Income (MAGI) for the year, some or all of your contributions may be federal income tax-deductible—non-deductible contributions are also permitted. Your assets grow tax deferred, so your account can potentially grow faster than a taxable account. Distributions are taxed at your federal income tax rate when taken. Note that the age you are required to start taking RMDs can change over time. You must begin taking Required Minimum Distributions (RMDs) if you have turned 73 at the end of the year in 2023 and 2024.

## ROTH IRA

A Roth IRA is similar to a Traditional IRA in that you can contribute up to \$6,500 for 2023 and \$7,000 for 2024 (plus an additional \$1,000 if you are age 50 or older), less any contributions made to a Traditional IRA, while enjoying tax-deferred growth on your earnings. But there are some important differences. Although contributions are not tax deductible, a Roth IRA gives you the benefit of federal tax-free withdrawals—even before retirement—as long as certain requirements are met.

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## Converting to a Roth IRA

If you currently have a Traditional IRA—you can convert some, or all, of the assets to a Roth IRA. There are no income limits to convert to a Roth IRA, and you will enjoy potential tax-free access to your money in the future. However, you will be required to pay income tax on the amount converted in the year of conversion.

## **ROLLOVER IRA**

A Rollover IRA is typically a Traditional IRA that receives assets from an employer's qualified retirement plan, such as a 401(k), 403(b) or pension plan. You can also transfer or roll over IRA assets to a single Rollover IRA. Please contact your financial professional and tax or legal professional regarding limitations and restrictions for IRA rollovers and transfers.

## **INHERITED IRA**

An inherited IRA can potentially extend the tax-deferred benefits of an IRA for beneficiaries. Rules vary based on whether the beneficiary is considered an eligible designated beneficiary (i.e., a spouse or eligible non-spouse, such as minor children until they reach the age of majority, disabled individuals, the chronically ill or those who are no more than 10 years younger than the original account owner).

In general, eligible designated beneficiaries can elect to extend the RMD payments over their lifetimes. However, non-spouse beneficiaries who do not meet the designated beneficiary description above will be required to take distributions of the IRA within a 10-year period. All beneficiaries can still elect to take a lump sum distribution.

You should consult with your tax or legal professional regarding your options if you are the beneficiary of an inherited IRA.

If beneficiaries do not take enough RMDs to satisfy the requirement, the IRS may impose a 25% excise tax on the shortfall. Due to the complexity of RMD requirements for inherited accounts, beneficiaries should consult their tax or legal professional about their options.

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## **Roll Directly to a Roth IRA**

You may roll over former 401(k), 403(b) and other employer plan assets to a Roth IRA. Keep in mind, however, that you will owe tax on all pre-tax contributions and earnings in the year of the conversion.

If your former plan offered a Roth 401(k) or Roth 403(b), you may also roll those plan assets directly to a Roth IRA without incurring any tax liability during the transition.

# CONSIDER CONSOLIDATION

If you are at a key retirement decision point or have not recently reviewed your progress toward achieving your retirement goals, now may be a good time to have a conversation to explore your options. One strategy to consider is rolling over or transferring your eligible retirement assets into a Rollover IRA.

Planning and proper management of your retirement savings and investments is critical for you to achieve your goals. You may want to explore the possibility of consolidating your retirement assets to make it easier to track your progress and calculate required minimum distributions before you reach age 73 (the age you must begin taking distributions for 2023 and 2024).

There are many options you should consider before rolling over assets into an IRA such as investment options, fees and expenses, services, penalty-free withdrawals, protection from creditors and legal judgements, required minimum distributions (RMDs) and employer stock, which are outlined in the following pages. **You should also keep in mind that investing involves risk, including the loss of principal. The value of your investment in an IRA will fluctuate over time, and you may gain or lose money.**

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## What Types of Retirement Accounts Do You Own?

Consider the types of IRAs and employer plans you may have when reviewing your retirement assets with your financial professional, such as:

- Traditional IRAs
- Roth IRAs
- Rollover IRAs
- Inherited IRAs
- SEP IRAs
- SIMPLE IRAs
- 401(k) Plans, including Roth 401(k)s
- 403(b) Plans, including Roth 403(b)s
- Government 457(b) Plans
- Defined Benefit Plans
- Profit Sharing Plans
- Money Purchase Pension Plans

## IRA COMPARISON CHART FOR 2023 AND 2024

### Traditional IRA

<b>MAXIMUM CONTRIBUTIONS</b>	<ul style="list-style-type: none"><li>• Up to \$6,500 for 2023 and \$7,000 for 2024 (less any contributions made to a Roth IRA)</li><li>• An additional \$1,000 catch-up contribution for eligible individuals age 50 and older</li></ul>
<b>ELIGIBILITY</b>	Individuals with earned income and non-working spouses
<b>TAX ADVANTAGES</b>	<ul style="list-style-type: none"><li>• Investment growth is tax-deferred and contributions may be tax-deductible</li><li>• Taxes are not paid on deductible contributions and all earnings until money is withdrawn</li></ul>
<b>INCOME LIMITS</b>	<p>While there are no income limits for contributions, there are income limits for the federal income tax deductibility of contributions, which may be fully, partially or non tax-deductible depending on whether you participate in an employer-sponsored retirement plan.</p> <p>If you are covered by an employer plan, the following Modified Adjusted Gross Income (MAGI) limits for making a deductible contribution apply:</p> <p>Fully deductible:</p> <ul style="list-style-type: none"><li>• <b>Single:</b> \$73,000 or less in 2023 and \$76,000 in 2024</li><li>• <b>Married Filing Jointly:</b> \$116,000 or less in 2023 and \$123,000 or less in 2024</li></ul> <p>Partially deductible:</p> <ul style="list-style-type: none"><li>• <b>Single:</b> more than \$73,000 but less than \$83,000 in 2023 and more than \$77,000 but less than \$87,000 in 2024.</li><li>• <b>Married Filing Jointly:</b> more than \$116,000 but less than \$136,000 in 2023 and more than \$123,000 but less than \$143,000 in 2024</li><li>• <b>Married Filing Separately:</b> less than \$10,000 in 2023 and 2024 can take a partial deduction</li></ul> <p>If you are not covered by an employer-sponsored plan, but are married, filing taxes jointly and have a spouse who is covered by an employer-sponsored retirement plan, the following MAGI limits apply:</p> <ul style="list-style-type: none"><li>• Fully deductible: \$218,000 or less in 2023 and \$230,000 or less in 2024</li><li>• Partially deductible: more than \$218,000 but less than \$228,000 in 2023 and more than \$230,000 but less than \$240,000 in 2024</li></ul>
<b>REQUIRED DISTRIBUTIONS</b>	Minimum distributions are required. The distribution for the first year must be taken by April 1 of the year following the year you turn 73 in 2023 or 2024, and distributions for all other years must be taken by December 31
<b>WITHDRAWAL RULES</b>	<ul style="list-style-type: none"><li>• Taxable amounts withdrawn prior to age 59½ may be subject to an additional 10% federal penalty tax</li><li>• Withdrawals can be made penalty-free prior to age 59½ under these circumstances: IRA owner's death or disability; substantially equal periodic payments made over life expectancy; timely removal of excess contributions; purchase of health insurance while unemployed for 12 consecutive weeks; the purchase of a first home (up to \$10,000); for certain higher-education expenses; for qualified reservists; or for unreimbursed medical expenses that exceed 10% of MAGI</li><li>• Taxes apply to all earnings and all deductible contributions withdrawn</li><li>• Penalty free withdrawals of up to \$5,000 are allowed upon the birth or adoption of a child (taxes still apply)</li></ul>
<b>ROLLOVERS, CONVERSIONS AND TRANSFERS</b>	<ul style="list-style-type: none"><li>• <b>Indirect rollovers:</b> One indirect rollover per person is allowed in any one-year period between IRAs—no matter how many IRAs or type of IRA the individual has; must be rolled to another IRA or qualified plan within 60 days</li><li>• <b>Direct rollovers:</b> Direct rollovers from qualified retirement plans are excluded from the above rule</li><li>• <b>Transfers:</b> Unlimited trustee-to-trustee transfers permitted between similar IRA types</li></ul>

**Note:** This chart discusses federal tax implications in general. State tax implications may also apply.

# Roth IRA

<b>MAXIMUM CONTRIBUTIONS</b>	<ul style="list-style-type: none"><li>• Up to \$6,500 for 2023 and \$7,000 for 2024 (less any contributions made to a Traditional IRA)</li><li>• An additional \$1,000 catch-up contribution for eligible individuals age 50 and older</li></ul>
<b>ELIGIBILITY</b>	Individuals and non-working spouses of any age whose earned income and household income, respectively, does not exceed specific thresholds
<b>TAX ADVANTAGES</b>	<ul style="list-style-type: none"><li>• Investment growth is tax-deferred and may be tax-free if the account has been open for at least five years and if certain requirements are met</li><li>• Contributions are not tax-deductible</li></ul>
<b>INCOME LIMITS</b>	<p>There is no age limit for making contributions. Eligibility to make a full or partial contribution is based on MAGI and tax filing status below:</p> <p>Full contribution</p> <ul style="list-style-type: none"><li>• <b>Single:</b> Less than \$138,000 in 2023 and less than \$146,000 in 2024</li><li>• <b>Married Filing Jointly:</b> less than \$218,000 in 2023 and less than \$230,000 in 2024</li></ul> <p>Partial contribution</p> <ul style="list-style-type: none"><li>• <b>Single:</b> \$138,000 but less than \$153,000 in 2023 and \$146,000 but less than \$161,000</li><li>• <b>Married Filing Jointly:</b> \$218,000 but less than \$228,000 in 2023 and \$230,000 but less than \$240,000 in 2024</li><li>• <b>Married Filing Separately:</b> less than \$10,000 in 2023 and 2024</li></ul>
<b>REQUIRED DISTRIBUTIONS</b>	There are no required distributions while the original account owner is alive; however, beneficiaries will generally be required to take distributions
<b>WITHDRAWAL RULES</b>	<ul style="list-style-type: none"><li>• <b>Qualified Distributions:</b> Qualified distributions are federal income tax-free; a withdrawal is a qualified distribution if it occurs at least five years after a Roth IRA was established and funded, and the withdrawals are made after 59½; to purchase a first home (up to \$10,000); or upon the individual's death or disability; and up to \$5,000 may be withdrawn upon the adoption or birth of a child</li><li>• <b>Non-Qualified Distributions:</b> Distributions that are not qualified distributions are included in income to the extent attributable to earnings, and a 10% federal penalty tax will apply to the taxable portion of the non-qualified distribution unless an exception applies<sup>1</sup></li></ul>
<b>ROLLOVERS, CONVERSIONS AND TRANSFERS</b>	<ul style="list-style-type: none"><li>• <b>Indirect rollovers:</b> One indirect rollover per person is allowed in any one-year period between IRAs—no matter how many IRAs or type of IRA the individual has; must be rolled to another IRA or qualified plan within 60 days</li><li>• <b>Direct rollovers:</b> Direct rollovers from qualified retirement plans are excluded from the above rule. If rolling over pre-tax qualified plan money to a Roth IRA, amounts must be included as income and taxes may be due</li><li>• <b>Conversions:</b> No income limits or restrictions on the number of conversions to Roth IRAs. Can convert assets from a Traditional IRA, Rollover IRA, SEP IRA or SIMPLE IRA (after two-year period) to a Roth IRA without limitations; federal taxes are due in the year of conversion</li><li>• <b>Transfers:</b> Unlimited trustee-to-trustee transfers permitted between similar IRA types</li></ul>

<sup>1</sup> For all distributions, the owner must withdraw first from annual contributions, then the converted amount, in the order received and then earnings are subject to income taxes and potential penalties.

# UNDERSTANDING YOUR OPTIONS FOR EMPLOYER PLAN ASSETS

If you have one or more 401(k)s or other qualified retirement plans from previous employers, you generally have the four options below when you separate from service. There are potential tax implications for each option—and keep in mind that some options involve additional fees and investment expenses. Before making a decision, you should obtain all the details and consult with your financial professional and tax or legal professional regarding your specific situation.



## Keep assets in former employer's plan

This option allows you to protect your tax-deferred status with potential protection from creditors. However, your investments, withdrawals and timing options may be limited, and older plans may be neglected or forgotten.



## Move assets to your new employer's plan

This option allows tax-deferred status with possible access to certain proprietary investments and preferred pricing. However, your investments, withdrawals and timing options may be limited.



## Cash out

This option allows you immediate access to your retirement plan assets. However, it is possible you may owe nearly 25% in federal (and state) income taxes.<sup>2</sup>



## Roll over to an IRA

This option allows you to consolidate retirement assets and take advantage of a range of investment options and tax deferral. However, keep in mind that no loans are allowed and RMDs must begin at age 73 in 2023 and 2024.

<sup>2</sup> Estimate is based on the highest federal income tax of 37% and state income tax (more than 13% in some states), as of March 2024.

# IRA ROLLOVER CONSIDERATIONS

There are many considerations in rolling assets from your former employer’s plan to an IRA. Below are some of the areas of comparison to talk through with your financial professional. Every individual’s situation is different, and regulations are subject to change, so make sure you have a conversation to review all your options.

Considerations	Employer-Sponsored Plans	IRAs
<b>Investment Options</b>	May have limited investment menu but may also have lower fees and expenses or proprietary investments (e.g., employer stock)	Broad range of investment options, including: mutual funds, exchange-traded funds (ETFs), equities, fixed income and alternative investments
<b>Fees and Expenses</b>	Varies by plan and service provider, but generally includes investment management and advisory fees; administrative fees (e.g., record keeping, compliance, trustee fees) may also apply	Costs vary based on services you choose and may include investment management and advisory fees, commission and sales charges, and IRA account fees (e.g., brokerage fees, maintenance and termination fees)
<b>Services</b>	Varies by plan and generally includes investment advice, planning tools, educational support and other services	Varies based on services you choose and may include investment advice, planning tools, educational support and other support
<b>Penalty-Free Withdrawals</b>	May begin at age 55 if you are retired or separated from service. Please note: Check your plan provisions for your options	Generally begins at age 59½ for Traditional IRAs; qualified Roth distributions may be income tax-free <sup>3</sup>
<b>Protection from Creditors and Legal Judgments</b>	Typically unlimited under federal law	Federal bankruptcy protection for Rollover IRA balances and up to an inflation-adjusted \$1 million for other IRA assets; non-bankruptcy protection varies by state laws <sup>4</sup>

<sup>3</sup> Please speak with your tax professional regarding your specific situation.

## IRA ROLLOVER DECISION CONSIDERATIONS (CONTINUED)

Considerations	Employer-Sponsored Plans	IRAs
<b>Required Minimum Distributions (RMDs)</b>	Not generally required to begin until you retire and have reached age 73 in 2023 or 2024; RMD rules apply to plan balances, including designated Roth accounts	For Traditional IRAs: RMDs must begin at age 73 in 2023 or 2024 For Roth IRAs: Lifetime RMDs do not apply
<b>Employer Stock</b>	If available, may take advantage of Net Unrealized Appreciation (NUA) rules <sup>4</sup>	Employer stock may or may not be eligible to be rolled over; if rolled over, you lose opportunity for NUA
<b>Consolidation</b>	May roll other eligible retirement assets into plan if allowed by plan	Available
<b>Beneficiary Flexibility</b>	Limitations may exist for non-spouse beneficiaries <sup>4</sup>	Typically allow the naming of any person, group or entity subject to custodian or trustee review and plan document rules
<b>Contributions</b>	Not permissible if no longer employed by employer	Subject to IRS rules, including age and earned income requirements <sup>4</sup>
<b>Loans</b>	May be available at the discretion of employer or plan provisions	Not permitted
<b>Distribution Withholding Instructions</b>	Automatic cash-out provisions may apply for small balances; distributions taken in cash are generally subject to mandatory 20% federal withholding <sup>4</sup>	No automatic cash-out rules; federal withholding on distributions is optional <sup>4</sup>

<sup>4</sup> Please speak with your tax professional regarding your specific situation.

# DIRECT VERSUS INDIRECT ROLLOVERS



## DIRECT ROLLOVER

Occurs when assets in your former employer's retirement plan are moved directly to an IRA without you taking receipt of the money. The IRA custodian will receive your plan assets directly into your Rollover IRA, and you will be notified when the money has been transferred. Alternatively, you may receive a check made payable to your new IRA custodian, which you must mail the new custodian to deposit into your IRA to avoid potential taxes and penalties.



## INDIRECT ROLLOVER

You receive a check made payable in your name for the amount distributed from your former plan administrator (minus the mandatory 20% withholding). You have 60 days from the date on the check to deposit it, plus the amount withheld, into a Rollover IRA to avoid potential income tax and IRS penalties. If you do not meet the 60-day requirement, the 20% that was withheld by your former plan administrator may be subject to potential taxes and penalties on that amount.

**Note:** You are only allowed one indirect rollover in any one-year period between IRAs, not matter how many IRAs or the type of IRA you own.

# ACCESSING YOUR IRA ASSETS

You always have access to the money in your IRA, but there may be certain restrictions, federal taxes and penalties based on your age and the type of IRA you own.

DISTRIBUTIONS	TRADITIONAL IRA	ROTH IRA
<b>Before Age 59½</b>	If you withdraw money before age 59½, you must pay federal income taxes on the money. You will be assessed a 10% federal penalty tax unless you meet certain criteria, as detailed in the table on page 7. This penalty tax applies only to the taxable amount of the distribution, not the amount attributable to non-deductible contributions.	If you withdraw money from a Roth IRA before age 59½, you will pay federal income tax, and a 10% federal penalty tax on the earnings only (not the contributions), unless you meet certain criteria as detailed in the table on page 8. If you withdraw conversion amounts within five years, you will owe the 10% federal penalty tax, unless you meet one of the exceptions.
<b>Age 59½ or Older</b>	After you reach age 59½, you can take money out whenever you want for any reason without any early distribution tax penalty. However, you must pay ordinary federal income tax on any tax-deductible contributions you previously made and on all accumulated earnings that are included in your distribution.	If you are age 59½ or older and you have owned a Roth IRA for at least five years, you can withdraw funds federal income tax-free. If you have owned a Roth IRA for less than five years, you will pay federal income tax on the earnings, but no federal penalty tax.
<b>Required Minimum Distributions</b>	You are required to take at least a minimum distribution each year beginning at age 73 in 2023 or 2024. There is a 25% federal penalty tax on amounts that are not distributed. The distribution may be delayed until April 1 of the year following the year you reach the required age. The distribution for each year after you turn the required age must be taken by December 31.  If you wait until April 1 to take the first distribution, you will have to take two distributions in the same year.	There are no required distributions while the original account owner is still alive.

**Note:** If you opt out of withholding or do not have enough tax withheld, you may have to pay federal taxes and you may incur penalties if estimated tax payments are insufficient. Please keep in mind that state income tax may apply. You should consult with your tax advisor before taking distributions from your retirement account.

Your financial organization is required to withhold 10% of your Traditional or Rollover IRA distribution for federal income tax purposes unless you elect on the distribution form not to have taxes withheld. If you do not elect out of withholding, the withholding will be applied to the total amount of each distribution even if part of it is attributable to non-deductible contributions.

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## Work With Your Financial Professional

Once you have opened the account, your financial professional can assist you in creating a plan to help you reach your goals. You will also receive a consolidated account statement to make it easier to review and track your performance. Your financial professional can help you:



### Review your investment strategy

Make sure it is appropriate for your goals and risk tolerance.



### Determine an asset allocation

The first step after establishing your IRA is to allocate your assets among different asset categories, such as stocks, bonds and cash based on your tolerance for risk and investment time horizon.



### Choose investment options

IRAs offer a wide variety of investment options including mutual funds, managed accounts and individual stocks and bonds that can align with your goals and tolerance for risk.



### Name your beneficiary

You will be asked to name one or more beneficiaries when setting up your IRA. When your beneficiaries inherit your IRA, they can elect to receive a lump sum or spread the payments from the IRA out over a longer period of time. Consult with your tax or legal advisor before naming IRA beneficiaries.

**Note:** Investing involves risks, including the possible loss of principal. Investments are not FDIC insured and not insured by any federal government agency and may lose value. Different investments carry different types and degrees of risk and may not be suitable for all investors. You should familiarize yourself with those risks before investing. This summary is for general information purposes only.

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