



## For More Information

We'd be happy to answer your Roth IRA questions.

## Save now with a Roth IRA and enjoy tax-free money later.

By saving for retirement with a Roth IRA, you can look forward to

- ✓ tax-free distributions,
- ✓ not being required to take money out, and
- ✓ a possible tax credit of up to \$1,000.

But first you must be eligible for a Roth IRA.

- ✓ You (or your spouse if filing a joint tax return) must earn compensation from employment.
- ✓ Your earned compensation (or you and your spouse's combined compensation if filing a joint tax return) must be less than or within the applicable IRS limits.

Consider talking with a competent tax advisor to determine whether you're eligible and if it makes sense to contribute to a Roth IRA.

■ Roth IRAs

# Prepare for your future with a Roth IRA.

A Roth IRA helps you save for retirement with the potential for future tax-free income.



# A Roth IRA can help you save for the future. But first, you may have some questions.

## Q. What is a Roth IRA?

A. Available since 1998, a Roth IRA is an individual retirement arrangement named for the late Senate Finance Committee Chairman William Roth, Jr. It differs from a Traditional IRA in its tax incentives.

## Q. How much can I contribute?

A. If you have compensation from employment and your modified adjusted gross income (MAGI) falls below the lowest applicable IRS limit, you can contribute 100 percent of your annual compensation up to the annual contribution limit (\$6,000 for 2021 and for 2022, plus \$1,000 if you are age 50 or older).\*

If your MAGI falls within the applicable IRS limits, you can contribute a portion of the annual contribution limit (amount determined using an IRS formula). If your MAGI is more than the highest applicable limit, you cannot contribute to a Roth IRA.

### MAGI Limits\*

| Tax filing status       |      | Full contribution allowed | Partial contribution allowed | No contribution allowed |
|-------------------------|------|---------------------------|------------------------------|-------------------------|
| Single                  | 2021 | \$125,000 or less         | \$125,000–\$140,000          | \$140,000 or more       |
|                         | 2022 | \$129,000 or less         | \$129,000–\$144,000          | \$144,000 or more       |
| Married, filing jointly | 2021 | \$198,000 or less         | \$198,000–\$208,000          | \$208,000 or more       |
|                         | 2022 | \$204,000 or less         | \$204,000–\$214,000          | \$214,000 or more       |

\*Subject to annual cost-of-living adjustments

## Q. What is the annual deadline to contribute?

A. You can contribute to your IRA until the due date for filing your federal income tax return for the year (generally April 15).

## Q. Can I deduct my Roth IRA contributions?

A. No. Roth IRA contributions are not deductible.

## Q. Can I contribute to both a Traditional IRA and a Roth IRA?

A. Yes. But the contribution amounts that you make to both types of IRAs for the same year cannot total more than your annual contribution limit.

## Q. Can I contribute to a Roth IRA if I participate in another retirement plan?

A. Yes. Your participation in a retirement plan will not affect your eligibility to contribute to a Roth IRA (assuming compensation requirements are met), nor will making Roth IRA contributions affect what you can contribute to your retirement plan.

## Q. Can I roll over other retirement plan assets to my Roth IRA, or roll over my Roth IRA to another retirement plan?

A. Eligible assets from most retirement plans, such as your 401(k) plan, can be rolled over to Roth IRAs. Check with your plan administrator. Your Traditional IRA and SIMPLE IRA assets also can be moved to your Roth IRAs. However, you are not allowed to roll over Roth IRA assets to an employer-sponsored retirement plan. Under certain circumstances, Roth IRA assets can be recharacterized as Traditional IRA assets.

## Q. Can I move money from my Traditional IRA to a Roth IRA?

A. Yes. Moving your Traditional IRA money into a Roth IRA is a conversion, which generally is a taxable transaction. Any deductible (pretax) Traditional IRA assets that are converted to a Roth IRA must be included with your taxable income on your federal income tax return for the year the conversion takes place. Because of the tax consequences and reporting requirements, you may want to visit with a competent tax advisor before converting.

## Q. When can I withdraw money from my Roth IRA?

A. While you'll get the most out of a Roth IRA at retirement—or in carrying out your estate planning—you can withdraw the money from your Roth IRA anytime.

Depending on when you take the money out and what type of Roth IRA assets (contributions,

conversion or rollover amounts, or earnings) are included in the distribution, you may be subject to income tax and an IRS penalty tax. But if you have a “qualified distribution” all assets are tax and penalty free.

### Qualified Distribution



## Q. What is the IRS penalty tax?

A. A 10 percent early distribution penalty tax will apply to the taxable amount of your Roth IRA distribution, unless you qualify for a penalty tax exception (age 59½ or older, death, disability, first-time homebuyer expenses, qualified higher education expenses, certain unreimbursed medical expenses, birth of a child or adoption expenses, substantially equal periodic payments, health insurance premiums during unemployment, IRS levy, qualified reservist distributions, qualified disaster-related distributions).

## Q. What happens to my Roth IRA after I die?

A. You may designate beneficiaries to receive your Roth IRA assets after your death. Any tax-deferred money in your Roth IRA at the time of your death will be taxable to your beneficiaries upon distribution, unless five years have passed since the first year you contributed to a Roth IRA, in which case, all beneficiary distributions will be tax-free.

All beneficiaries may take a lump-sum payment. They may also be able to take payments over a certain number of years, depending on the year of your death. In addition, a spouse beneficiary may treat your Roth IRA as his or her own.