

STRAIGHT ANSWERS TO YOUR ROTH IRA QUESTIONS

Tax Savings Tax-Free Earnings and Retirement Security

What is a Roth IRA?

A Roth IRA is an individual retirement account where regular contributions are **not tax deductible**, but distributions of these contributions are **tax free**. Under certain conditions, the earnings on Roth IRA contributions are also **tax free** when distributed.

The term “tax free” means free from federal income taxes.

Am I eligible for a Roth IRA?

There are two requirements for eligibility to make regular contributions to a Roth IRA: you must have compensation (or your spouse must have compensation) and your modified adjusted gross income (MAGI) for any tax year cannot exceed certain prescribed limits. These limits are subject to annual cost-of-living adjustments if any.

2024 MAGI LIMITS			
Modified AGI (MAGI)	Single	Married, Filing Jointly	Married, Filing Separately*
Less than \$10,000	Full Contribution	Full Contribution	Phaseout
\$ 10,000 - \$146,000	Full Contribution	Full Contribution	No Contribution
\$146,001 - \$160,999	Phaseout	Full Contribution	No Contribution
\$161,000 - \$230,000	No Contribution	Full Contribution	No Contribution
\$230,001 - \$239,999	No Contribution	Phaseout	No Contribution
\$240,000 or over	No Contribution	No Contribution	No Contribution

**If you are married, filing separately, and lived apart from your spouse the entire year, you can use the MAGI limit for a single filer to determine your contribution limit.*

2023 MAGI LIMITS			
Modified AGI (MAGI)	Single	Married, Filing Jointly	Married, Filing Separately*
Less than \$10,000	Full Contribution	Full Contribution	Phaseout
\$ 10,000 - \$138,000	Full Contribution	Full Contribution	No Contribution
\$138,001 - \$152,999	Phaseout	Full Contribution	No Contribution
\$153,000 - \$218,000	No Contribution	Full Contribution	No Contribution
\$218,001 - \$227,999	No Contribution	Phaseout	No Contribution
\$228,000 or over	No Contribution	No Contribution	No Contribution

**If you are married, filing separately, and lived apart from your spouse the entire year, you can use the MAGI limit for a single filer to determine your contribution limit.*

How much can I contribute each year?

You may contribute any amount up to 100 percent of your compensation or the contribution limit set forth in the chart that follows, whichever is less, aggregated between a traditional and a Roth IRA. Additionally, if you have attained age 50 or older by the end of your taxable year, you are eligible to make catch-up contributions.

CONTRIBUTION LIMITS			
Tax Year	Contribution Limit	Catch-Up Limit	Total Limit for Age 50 and Over
2023	\$6,500	\$1,000	\$7,500
2024	\$7,000	\$1,000	\$8,000
2025 and later years	\$7,000*	\$1,000*	\$8,000*

**Subject to annual cost-of-living adjustments, if any.*

What is the contribution deadline for funding a Roth IRA?

For a given tax year, you can open and fund a Roth IRA any time from January 1 of the tax year to the date your tax return is due for the year, excluding extensions. For most taxpayers, this is April 15 of the following year. If the due date falls on a Saturday, Sunday, or legal holiday, the IRA contribution deadline is the next business day. The deadline may be extended in some situations. Examples include a federally declared disaster, a terroristic or military action, or service in a hazardous duty area or combat zone.

What assets can I move to a Roth IRA?

- **Traditional (including SEP) and SIMPLE IRA**—Traditional and SIMPLE IRA assets may be converted to a Roth IRA. The distribution is subject to income tax, but is not subject to the 10 percent early-distribution penalty tax. You can roll over traditional (including SEP) IRA assets to a SIMPLE IRA two years following the date of the first contribution made to the SIMPLE IRA.
- **Employer Plan**—Eligible assets from an employer plan may be indirectly or directly rolled over to a Roth IRA. The taxable portion of the amount rolled over is subject to income tax.
- **Designated Roth Account**—Assets in a designated Roth account that are part of an Internal Revenue Code Section 401(a), 403(b), or governmental 457(b) plan may be indirectly or directly rolled over to a Roth IRA and are not subject to income tax.

- **Direct Rollover from a Qualified Tuition Program**—Certain assets in a 529 qualified tuition program account maintained for at least 15 years for a designated beneficiary may be directly rolled over on a tax-free basis to a Roth IRA maintained for the benefit of that beneficiary. The rollover is subject to contribution limits and compensation requirements. Permitted rollovers have limitations and there is a lifetime limit of \$35,000 for these rollovers.

What if I need access to my money now?

A helpful feature of the Roth IRA is that, for distributions, regular contribution amounts are returned first without tax or penalty. Converted assets and rollovers from employer plans are returned next. The converted and employer plan rollover assets are returned tax free; however, they may be subject to the 10% early-distribution penalty tax. Earnings are returned last. Earnings may be subject to tax and penalty.

Do I pay taxes on my earnings?

No, provided you take the earnings as part of a qualified distribution. That's the best part of the Roth IRA. Unlike a traditional IRA, you cannot take a tax deduction for any of the contributions that you make to a Roth IRA. However, when you are ready to make a withdrawal, you may not have to pay taxes on any of the earnings that your contributions have generated.

What is a qualified distribution?

In order for earnings to be tax free, you must first meet a five-year holding period for your Roth IRA. This period begins with the tax year for which your first contribution is made. After that, any earnings you withdraw for a qualified distribution reason are income tax free and penalty tax free. Qualified distribution reasons are:

- Distributions made on or after the date on which you attain age 59½,
- Distributions made to your Roth IRA beneficiary upon your death,
- Distributions attributable to you being disabled, and
- Qualified first-time home buyer distributions (up to \$10,000).

Does the 10 percent early-distribution penalty tax apply if I withdraw my money?

Distributions of earnings not taken as a qualified distribution, or not taken for reasons listed below, are generally subject to both taxes and a 10 percent early-distribution penalty tax.

Distributions of assets converted from an IRA, assets rolled over from an employer plan, and assets rolled over from a qualified tuition program that are not taken as a qualified distribution, before a five-year holding period requirement has been met, or not taken for reasons listed below, are generally subject to the 10 percent early-distribution penalty tax.

- Substantially equal periodic payments
- Qualified reservist distributions
- Eligible medical expenses in excess of a certain percentage of your adjusted gross income (AGI)
- Health insurance premiums if you have been receiving unemployment compensation for at least 12 weeks
- Qualified higher education expenses
- Distributions taken within the first five years for any of these reasons: age 59½, death, disability, or first-time home purchase (up to \$10,000)
- For a qualified birth or adoption
- Distributions paid directly to the IRS due to IRS levy
- If you are certified as having a terminal illness
- Qualified disaster recovery distributions
- If you are a victim of domestic abuse
- For certain emergency expenses
- Earnings attributable to an excess or unwanted contribution

How do I move assets from one Roth IRA to another Roth IRA?

There are two methods you can use to move assets from one Roth IRA to another Roth IRA: rollover and transfer. For a rollover, you have 60 calendar days following the date of receipt to roll over the distribution to another IRA. You are limited to one rollover for all of your IRAs per 1-year (12-month) period (that is, only one nontaxable IRA-to-IRA rollover per taxpayer in a year — not one rollover for each IRA per year.) A transfer occurs when the

assets are moved from one Roth IRA to another Roth IRA without you having direct control or use of the assets. Checks issued to the new custodian/trustee may be delivered by you if the custodians/trustees agree. Unlike rollovers, there are no time limits or frequency limits on the number of transfers permitted.

When do I have to start taking distributions from my Roth IRA?

You never have to take distributions from your Roth IRA. That's another advantage of the Roth IRA over the traditional IRA.

What happens in the event of my death?

Your named Roth IRA beneficiary(ies) will receive the rights to the balance in your Roth IRA. Distributions to the Roth IRA beneficiary(ies) will be made in accordance with the required minimum distribution rules and your Roth IRA agreement.

This brochure is intended to provide general information on federal tax laws governing Roth IRAs. It is not intended to provide recommendations, legal advice, or to be a detailed explanation of the rules or how such rules may apply to your individual circumstances. For specific information, you are encouraged to consult your tax or legal professional. IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs), IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs), and the IRS's website, www.irs.gov, may also provide helpful information.