Understanding the Facts: IRA vs. Roth IRA

The type of individual retirement account you choose can significantly affect you and your family's long-term savings. So it's worth understanding the differences between traditional IRAs and Roth IRAs in order to select the best one for you.

	Traditional IRA	Roth IRA
Who is eligible?	Under age 70½ with earned income.	Any age with employment compensation that does not exceed certain adjusted gross income (AGI) limits.
Contributions[1]	$6,000 ($7,000 if you are 50 or older) or 100% of employment compensation, whichever is less. May be tax deductible.[2] Not permitted after 70½.	$6,000 ($7,000 if you are 50 or older) or 100% of employment compensation, whichever is less. Not tax deductible. Permitted after 70½.
Earnings	Tax deferred.	Tax free for those 59½ and older with accounts that have been open for five or more years.
Withdrawals before 59½	Deductible contributions and earnings taxed as ordinary income and subject to a 10% premature distribution penalty (exceptions may apply).	Contributions may be withdrawn at any time for any reason without taxes or penalties. Earnings taxed as ordinary income and subject to a 10% premature distribution penalty (exceptions may apply).
Withdrawals after 59½	Deductible contributions and earnings taxed as ordinary income. Required minimum distributions (RMDs) upon reaching age 70½.	Contributions may be withdrawn at any time for any reason without taxes or penalties. Earning can be withdrawn after five years without taxes or penalties.[3] No RMDs upon reaching age 70½.

For some taxpayers, their eligibility to deduct traditional IRA contributions is the main deciding factor in choosing between a Roth and traditional IRA. However, being eligible to deduct your contribution does not mean that the traditional IRA is your better choice.

1. Contribution limits phase out based on the IRA owner's and spouse's modified AGI.
2. Deductibility depends on the IRA owner's and spouse's modified AGI and whether the owner is covered by an employer-sponsored retirement plan.
3. If the individual is at least 59½, dies, is disabled or uses up to $10,000 of the account's earnings for a first-time home purchase.

Contact our office to schedule a meeting to discuss which option is right for you and your retirement future.

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