

# Answers to Your Questions



Find the answers to point you in the right direction before saving with a Roth IRA.

Are you interested in opening a Roth IRA, but have some questions? The questions and answers given here may help you make a more informed decision on whether a Roth IRA is right for you.

Learn more today.

## Q. What is a Roth IRA?

A. A Roth IRA is an individual retirement arrangement named for the late Senate Finance Committee Chairman William Roth, Jr. This type of IRA offers different tax incentives than a Traditional IRA to boost your retirement savings.

## Q. How does a Roth IRA work?

A. Unlike Traditional IRAs, contributions to a Roth IRA are never tax-deductible. But the money you contribute to your Roth IRA can be withdrawn tax free at any time. And if you qualify, you can withdraw the earnings tax free too.

## Q. Am I eligible to contribute to a Roth IRA?

- A.** You are eligible to contribute to a Roth IRA if
- you (or your spouse if filing a joint tax return) earn compensation from employment, and
  - your earned compensation (or you and your spouse's combined compensation if filing a joint tax return) is less than or within the applicable IRS limits.

See below for the current income eligibility limits. If your modified adjusted gross income (MAGI) falls within the limits, you may contribute a portion of the annual contribution limit. If it is higher than the limits, you are not allowed to contribute to a Roth IRA for that year. You may want to seek competent tax advice when determining eligibility.

| Income Eligibility Limits* |      |                   |                      |                         |
|----------------------------|------|-------------------|----------------------|-------------------------|
| Tax Filing Status          |      | Full Contribution | Partial Contribution | No Contribution Allowed |
| Single                     | 2016 | \$117,000 or less | \$117,000–\$132,000  | \$132,000 or more       |
|                            | 2017 | \$118,000 or less | \$118,000–\$133,000  | \$133,000 or more       |
| Married, Filing Jointly    | 2016 | \$184,000 or less | \$184,000–\$194,000  | \$194,000 or more       |
|                            | 2017 | \$186,000 or less | \$186,000–\$196,000  | \$196,000 or more       |

## Q. What is the annual contribution limit?

- A.** The annual contribution limit is the lesser of
- \$5,500 for 2016 and for 2017\* (\$6,500 if you are age 50 or older), or
  - 100 percent of your annual compensation.

## Q. What is the deadline for making Roth IRA contributions each year?

- A.** You have until the due date for filing your federal income tax return for the year to contribute to your IRA. For most individuals, this is April 15.

## Q. Am I eligible for a tax credit for my Roth IRA contribution?

- A.** If your income falls within certain limits, you may qualify for the saver's tax credit of up to \$1,000. In addition, you must
- be at least 18 years of age at the close of the taxable year,
  - not be eligible to be claimed as a dependent by another taxpayer, and
  - not be a full-time student.

See IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, or consult your tax advisor to find out if you are eligible for this credit.

## Q. Can I own and contribute to more than one Roth IRA?

- A.** Yes. If you sign one Roth IRA plan agreement and make subsequent contributions under that same agreement, only one Roth IRA exists. If you sign more than one plan agreement for a Roth IRA, then you own multiple Roth IRAs and can make contributions to each one. But you must aggregate all of your IRA contributions for the year and stay within the applicable limit.

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

- A.** Yes. You can contribute to both types of IRAs for the same year. But the total of the contributions that you make to both types of IRAs for the same year cannot exceed your annual contribution limit.

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

- A.** Yes. Your participation in an employer-sponsored retirement plan will not affect your eligibility to contribute to a Roth IRA (assuming compensation requirements are met).

## Q. Will contributing to my Roth IRA affect the amount that I can contribute to my employer-sponsored retirement plan?

- A.** No. The amount you contribute to your Roth IRA will not affect the amount you contribute to your employer-sponsored retirement plan.

## Q. Can other retirement plan assets be deposited into a Roth IRA?

- A.** Yes. Eligible assets from qualified retirement plans, 403(b) plans, governmental 457(b) plans, and the federal Thrift Savings Plan can be rolled over to Roth IRAs. Traditional IRA and savings incentive match plan for employees of small employers (SIMPLE) IRA assets also can be moved to Roth IRAs. These types of transactions generally are taxable to you.

## Q. Can I move my Roth IRA assets into a retirement plan or a Traditional IRA?

- A.** Movement of Roth IRA assets to qualified retirement plans, 403(b) plans, governmental 457(b) plans, or the Thrift Savings Plan is not allowed. Under certain circumstances, Roth IRA assets can be recharacterized to Traditional IRAs or SIMPLE IRAs.

## Q. Can I move money from one Roth IRA to another Roth IRA that I own?

- A.** Yes. A transfer or rollover between your Roth IRAs is always tax-free and can be done regardless of your income.

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

- A.** Yes. Moving Traditional IRA assets into a Roth IRA is called 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. You also must complete and attach to your income tax return IRS Form 8606, *Non-deductible IRAs*. Note that if the conversion is completed properly, you do not have to pay an early distribution penalty tax, even if you are under age 59½. Because of the tax consequences and reporting requirements, consider talking with a competent tax advisor before converting.

## Q. Can I deposit the required minimum distribution I took from my Traditional IRA or retirement plan into my Roth IRA?

- A.** No. Required minimum distribution (RMD) amounts are not eligible to be rolled over or converted to a Roth IRA.

\*These limits are subject to annual cost-of-living adjustments.

## Q. When can I access my Roth IRA money?

**A.** Unlike most retirement plans, you always have access to the money in your Roth IRA. You may be subject to tax and penalty, however, depending on the type of assets you withdraw and when you withdraw them.

You can withdraw regular Roth IRA contributions tax free at any time. Distributions are treated as first being attributable to your regular contributions until all of your regular contributions have been removed.

Next to come out are conversion or rollover amounts, which may be subject to penalty tax if they are distributed within five years of being converted or rolled over. Finally, earnings are the last to come out and also are subject to tax and penalty if taken out too early.

You must meet two requirements to qualify for tax- and penalty-free withdrawals of earnings from your Roth IRA. First, five years must have passed since the first year for which you made Roth contributions. Second, one of the following conditions must apply.

- You are age 59½ or older.
- You are disabled.
- You are using the money as a first-time homebuyer.
- You are deceased.

## Q. What is the penalty for withdrawing money from my Roth IRA before satisfying the two requirements?

**A.** A 10 percent early distribution penalty tax will apply to the taxable distribution amount, unless you meet one of the following IRS early distribution penalty tax exceptions.

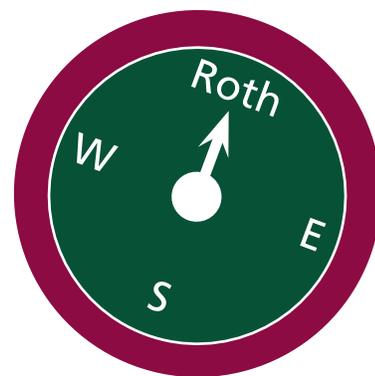
- Age 59½ or older
- Death
- Disability
- First-time homebuyer expenses
- Qualified higher education expenses
- Certain unreimbursed medical expenses
- Substantially equal periodic payments
- Health insurance premiums during unemployment
- IRS levy
- Qualified reservist distributions

## Q. Will I ever be required to withdraw money from my Roth IRA?

**A.** No. Unlike Traditional IRAs, you are never required to take RMDs from a Roth IRA. If you don't need the cash, you can let your money continue to grow tax free for as long as you like. Your beneficiaries, however, must take RMDs following your death.

## Q. What happens to my Roth IRA after my death?

**A.** You may designate one or more beneficiaries to receive the assets in your IRA after your death. All beneficiaries have the option of taking a lump-sum distribution. Your beneficiaries also may be allowed to receive payments from the Roth IRA over a number of years. If your spouse is your beneficiary, your spouse may move your Roth IRA assets to his or her own Roth IRA tax free. Any tax-deferred money in your Roth IRA at the time of your death will be taxable to your beneficiary upon distribution, unless five years have passed since the first year you contributed to a Roth IRA, in which case, all distributions to your beneficiaries will be tax-free.



## For More Information

Talk to us—we'll be glad to provide you with more information about Roth IRAs.