

When can I use my Roth IRA assets?

If you satisfy two conditions, you may make tax-free and penalty-free withdrawals from your Roth IRA. First, a Roth IRA must have been open for a minimum of five years. Second, the withdrawal must be made after the occurrence of one of the following:

- age 59½,
- death,
- disability, or
- first-time homebuyer expenses.

Distributions that meet the above requirements are referred to as “qualified” distributions. While you may take distributions from your Roth IRA at any time, distributions that are not qualified are subject to taxes (and in some cases early distribution penalties) to the extent they exceed your aggregate contributions to Roth IRAs.

Can I move money from my Traditional IRA to my Roth IRA?

The answer is “yes.” There are specific rules that govern the process of converting funds from a Traditional IRA to a Roth IRA.

- Your MAGI must be \$100,000 or less.
- If you are married, you must file a joint income tax return.
- You must pay taxes on all the pretax dollars you convert.
- The conversion must be completed within 60 days.

Note, however, that due to a recent law change, the \$100,000 income restriction and the joint tax filing condition noted above will no longer be required beginning in 2010.

Can I move money from my retirement plan to a Roth IRA?

If you made “designated Roth contributions” to your 401(k) or 403(b) tax-sheltered annuity plan, you may roll those Roth account assets to a Roth IRA. Designated Roth contributions became available under 401(k) and 403(b) plans beginning January 1, 2006. However, your employer might not have added this option to your plan.

In addition, the Pension Protection Act of 2006 opens the door for additional retirement plan rollovers to Roth IRAs, but not until 2008. Beginning January 1, 2008, retirement savings in qualified retirement plans (401(k) plans, profit sharing plans, etc.), 403(b) plans, and governmental 457(b) plans may be directly rolled over to Roth IRAs. Certain restrictions will apply.

Am I ever required to take funds from my Roth IRA?

Unlike the Traditional IRA, there are no required minimum distributions at age 70½. Your dollars can continue to grow until you need them. There are however, certain distribution requirements when these plans pass to your beneficiaries.

For more information...

For more information on the benefits of the Roth IRA, ask one of our representatives today for details.

Roth IRAs

A Tax-Free Source
of Retirement Income



Concern regarding the instability of Social Security continues to grow, and Americans are looking for new ways to secure their financial future. The Roth IRA gives you the ability to invest after-tax dollars today, let the investment grow tax deferred, and take qualifying withdrawals tax free.

Is investing for retirement important?

Many ideals are changing in today's society.

- The trend of changing jobs more frequently does not allow individuals to acquire great reserves in company pension plans.
- Many new entrepreneurs cannot offer retirement options to themselves or their employees until the company becomes financially secure.
- Social Security is no longer seen as the answer to retirement funding.

Individuals need to take the lead in building their retirement nest egg if they want to live comfortably during retirement.

What makes the Roth IRA so unique?

Unlike any other type of IRAs, retirement plans, or other outside investments, your Roth IRA can provide you with tax-free income during your retirement. Your money going into the Roth IRA is taxed; your money later withdrawn, which may potentially include significant amounts of earnings, is tax-free if you follow certain requirements.

Two factors make this possible

- First, the money you contribute to a Roth IRA has already been taxed. Therefore the principal amount is never subject to taxes or penalties in the future, as long as you stay within the contribution guidelines.
- Second, this retirement savings vehicle allows the money you contribute to grow tax-deferred. If you do not withdraw any of the earnings until you have had a Roth IRA for at least five years, and you satisfy one of four qualifying events, those tax-deferred earnings become tax-free.

Who is eligible?

Unlike the Traditional IRA, there is no 70½ age limit on making contributions. You must, however, have earned income equal to the amount you contribute, and your modified adjusted gross income (MAGI) must be below a certain amount.

For 2007, you may be eligible to make a maximum Roth IRA contribution if your MAGI does not exceed the following.

- \$99,000 for single taxpayers
- \$156,000 for married taxpayers filing joint income tax returns

However, if your MAGI is within the following phase-out ranges (for 2007), you may make a partial prorated contribution.

- \$99,000–\$114,000 for single taxpayers
- \$156,000–\$166,000 for married taxpayers filing joint returns
- \$0–\$10,000 for married taxpayers filing separate returns

If your MAGI exceeds these limits, you are not eligible to make Roth IRA contributions. You might, however, consider a Traditional IRA, which generally does not have income restrictions and also holds certain tax advantages.

If I am eligible, how much can I contribute?

The maximum amount per year is \$4,000 (for 2006 and 2007). As discussed previously, however, there are income thresholds that may reduce the amount you can contribute. In addition, if you reach age 50 or older by the close of the taxable year, a catch-up contribution may also be made (\$1,000 for 2006 and 2007).

Even though I cannot deduct my Roth IRA contributions, is there any income tax credit available?

If you are an eligible individual and fall within certain income limitations, you may be eligible for a tax credit of up to 50 percent of your retirement savings contributions that do not exceed \$2,000. An eligible individual is defined as someone who is

- 18 years of age as of the close of the taxable year,
- not a dependent of another taxpayer, and
- not a full-time student.

Please see a competent tax advisor to determine if you qualify for this credit.