

Retirement Reimagined®

WHICH TYPE OF IRA IS RIGHT FOR YOU?

Individual Retirement Accounts (IRAs) help investors save for retirement by providing a significant tax advantage over conventional investment accounts.

Both **Traditional** and **Roth IRAs** allow investors to build and manage investment portfolios without owing any current taxes on any interest, dividends and capital gains generated by investments while inside the IRA.

While both types of IRAs offer this tax advantage, there are significant differences between **Traditional** and **Roth IRAs**.

TRADITIONAL IRA VS. ROTH IRA

Use this checklist to help determine whether a Traditional IRA or a Roth IRA might make more sense for you in light of your personal circumstances. Then, discuss your findings with your financial professional.

TRADITIONAL IRA

You may want to consider a Traditional IRA if...

- A tax break now is more important than a future tax break, in retirement.** Contributions to a Traditional IRA may be tax deductible depending on your income and whether you and your spouse are covered by a retirement plan at work (see next page). If you are in a high income tax bracket now, but anticipate being in a lower tax bracket during retirement, a current tax deduction may be attractive to you. Generally, the earnings and deductible contribution portions of distributions from a Traditional IRA are subject to ordinary income taxes.
- You anticipate taking distributions from your IRA during retirement.** When you reach the age of 70½, you cannot make any further contributions to a Traditional IRA and you must begin taking minimum distributions. If you plan on withdrawing money during your retirement years, this requirement is not likely to impact you.
- You will not need to withdraw your IRA money until you reach age 59½.** Early withdrawals from a Traditional IRA before the age of 59½ can be costly — they are generally subject to an additional 10% federal tax in addition to ordinary income taxes. Exceptions from the additional federal tax may be available for college expenses, first-time home purchases and certain other reasons.
- You are not eligible to contribute to a Roth IRA because of your income** (see next page). Even if your contributions to a Traditional IRA are not tax deductible (see next page), a Traditional IRA may still be attractive because any earnings on your contribution will not be taxed until distribution.



ROTH IRA

You may want to consider a Roth IRA if...

- You and your spouse are eligible to make contributions to a Roth IRA** (see next page). Assuming you meet the income limits, contributions to a Roth IRA are permitted even if you are covered by a retirement plan at work.
- You are not eligible to make tax-deductible contributions to a Traditional IRA** (see next page). Generally, it makes more sense to contribute to a Roth IRA than to make non-deductible contributions to a Traditional IRA.
- Tax-free distributions during retirement are more important than a current tax break.** Roth IRA contributions are never tax deductible, but distributions in retirement will be tax-free. If you expect your income tax bracket in retirement to be the same as or higher than your current income tax bracket, this Roth IRA feature could be particularly attractive.
- You would like the ability to continue making contributions (and not take withdrawals) after age 70½.** Roth IRAs allow you to make contributions from earned income at any age, even during your "retirement" years.
- You do not want to have to take mandatory distributions starting at age 70½.** The required minimum distribution rules do not apply to Roth IRAs, so all your Roth IRA assets can continue to grow on a tax-free basis after you reach age 70½. This can be an attractive feature of a Roth IRA if you anticipate having other sources of income during retirement or if you wish to accumulate assets to leave to an heir on an income tax-free basis.
- You would like the flexibility, if necessary, to withdraw contributions before age 59½ without being taxed.** Withdrawals from a Roth IRA up to the amount you have contributed are not subject to federal taxes or penalties. Earnings can be withdrawn tax-free once money has been in the Roth IRA for at least five years and after you have reached age 59½.¹

¹ Earnings distributed before the end of this five-year period or age 59½, whichever is later, generally are taxable as ordinary income. Distributions from a Roth IRA prior to age 59½ may be tax-free in certain other circumstances, as well. If distributed prior to age 59½, earnings may be subject to a 10% additional federal tax.

CONTRIBUTIONS & DEDUCTION LIMITS

For 2018 and 2019 tax years

Single filing status/head of household

Modified adjusted gross income		Traditional IRA Fixed contribution limit of \$5,500 for 2018 and \$6,000 for 2019 (\$6,500 for 2018 and \$7,000 for 2019 if age 50 or older)		Roth IRA variable contribution limit
2018	2019	Not participating in employer plan	Participating in employer plan	
\$63,000 or less	\$64,000 or less	Full deduction	Full deduction	Full contribution of \$5,500 for 2018 and \$6,000 for 2019 (\$6,500 for 2018 and \$7,000 for 2019 if age 50 or older)
\$63,001–\$72,999	\$64,001–\$73,999		Partial deduction	
\$73,000–\$119,999	\$74,000–\$121,999		No deduction	
\$120,000–\$134,999	\$122,000–\$136,999			
\$135,000 or more	\$137,000 or more		No deduction	No contribution permitted

Married filing jointly/qualifying widow(er)

Modified adjusted gross income		Traditional IRA Fixed contribution limit of \$11,000 for 2018 and \$12,000 for 2019 (\$13,000 for 2018 and \$14,000 for 2019 if both age 50 or older)			Roth IRA variable contribution limit
2018	2019	Neither spouse participating in employer plan	IRA contributor not participating/ spouse participating in employer plan	IRA contributor participating in employer plan	
\$101,000 or less	\$103,000 or less	Full deduction for both IRAs	Full deduction	Full deduction	Full contribution of \$11,000 for 2018 and \$12,000 for 2019 (\$13,000 for 2018 and \$14,000 for 2019 if both age 50 or older)
\$101,000–\$120,999	\$103,001–\$122,999			Partial deduction	
\$121,000–\$188,999	\$123,000–\$192,999		Partial deduction	No deduction	
\$189,000–\$198,999	\$193,000–\$202,999				
\$199,000 or more	\$203,000 or more		No deduction	No deduction	No contribution permitted

Brandywine Global
Clarion Partners
ClearBridge Investments
EnTrustPermal
Martin Currie
QS Investors
RARE Infrastructure
Royce & Associates
Western Asset

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All investments involve risk, including loss of principal.

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This document is intended to provide a general overview of Traditional and Roth IRA plans but does not address all applicable federal tax rules applicable to such plans.

This document does not address state or local tax rules concerning IRAs or other accounts.

Information contained herein is current as of January 2019, is subject to legislative changes and is not intended to be legal or tax advice.

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