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Exploring Your IRA Options

How does a Traditional IRA differ from a Roth IRA? Which one is right for you? Once you know the answer to the first question, you may be able to answer the second question.

Traditional IRA Q & A

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

Learn more today.

Q. What is a Traditional IRA?

A. A Traditional IRA is an individual retirement arrangement that allows you to save for retirement with tax-deferred earnings and the possibility of tax-deductible contributions. These tax advantages make the Traditional IRA a powerful tool in creating a balanced, long-term savings plan.

Q. How does a Traditional IRA work?

A. You are eligible to contribute to a Traditional IRA as long as

- you (or your spouse if filing a joint tax return) earn compensation from employment, and
- you have not reached age 70½ before the end of the year.

You may be eligible to deduct the amount of your contribution on your federal income tax return for the year. Potential earnings accrue tax-deferred on the investments within the Traditional IRA each year, increasing your IRA balance. You can withdraw your assets at any time, but tax and penalties may apply, depending on your age and what type of assets you remove. Once you reach age 70½, however, you must remove a minimum amount from your Traditional IRA each year.

Q. How much can I contribute to a Traditional IRA?

A. If you meet the eligibility requirements described above, you can contribute 100 percent of your annual compensation up to $5,500 for 2017 and for 2018 ($6,500 if you are age 50 or older).

Contribution limits are subject to annual cost-of-living adjustments (COLAs).

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

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

Q. How do I determine if I am eligible to deduct my Traditional IRA contribution?

A. One of the key benefits of contributing to a Traditional IRA is the potential for a tax deduction up front. You can deduct 100 percent of your contribution if in the year of the contribution, you and your spouse are not active participants in employer-sponsored retirement plans.

If you or your spouse are active participants, your IRA deduction depends on your tax filing status and the amount of your modified adjusted gross income (MAGI). For 2018, you may deduct 100 percent of your contribution if you are an active participant filing a joint income tax return and your MAGI is $101,000 or less, and for single filers, $63,000 or less. And if you are not an active participant but your spouse is, you can deduct the full contribution amount if your joint MAGI is $189,000 or less. You should consult with a competent tax advisor to determine your deductibility.

If you (or your spouse) are an active participant, and your MAGI is over the limits previously mentioned, the amount of your IRA deduction is gradually phased out, meaning that you may be able to take only a partial deduction all. See below for the current income limits. Keep in mind though, that if you cannot deduct your contribution, you can make nondeductible contributions, and nondeductible contributions are not taxable to you when distributed.

Q. Am I eligible for a tax credit for my Traditional 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, *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 Traditional IRA?

A. Yes. If you sign one Traditional IRA plan agreement and make subsequent contributions under that same agreement, only one Traditional IRA exists. If you sign more than one plan agreement for a Traditional IRA, then you own multiple Traditional 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. If I contribute to a Roth IRA, can I also contribute to a Traditional IRA?

A. Yes. But the annual contribution limits described previously apply to both Traditional and Roth IRA contributions that you make for the year in aggregate. Thus, you may contribute a partial amount to both, as long as the total does not exceed your annual limit.

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

A. Yes. Your participation in an employer-sponsored retirement plan will not affect your ability to contribute to a Traditional IRA (assuming age and compensation requirements are met). But depending on your income level if you do participate (receive contributions) in a retirement plan, you may lose the ability to deduct your Traditional IRA contribution.

MAGI Limits* for Traditional IRA Tax Deductions

IRA Owner	Year	Full Deduction	Partial Deduction	No Deduction
Single, Active Participant	2017	$62,000 or less	$62,000–$72,000	$72,000 or more
	2018	$63,000 or less	$63,000–$73,000	$73,000 or more
Married, Active Participant, Filing Joint Tax Return	2017	$99,000 or less	$99,000–$119,000	$119,000 or more
	2018	$101,000 or less	$101,000–$121,000	$121,000 or more
Nonactive Participant Married to Active Participant, Filing Joint Tax Return	2017	$186,000 or less	$186,000–$196,000	$196,000 or more
	2018	$189,000 or less	$189,000–$199,000	$199,000 or more

*MAGI limits are subject to COLAs.

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

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

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

A. Simplified employee pension (SEP) plan employer contributions are made to Traditional IRAs. In addition, eligible assets from most employer-sponsored retirement plans, such as your 401(k) plan, can be rolled over to Traditional IRAs. Check with the administrator of your plan.

Q. Can I move my Traditional IRA assets into another retirement plan?

A. Yes. If the plan allows for it, you may roll over the pretax portion of your Traditional IRA to most employer-sponsored retirement plans. Traditional IRA assets also can be rolled over to SIMPLE IRAs after the SIMPLE IRA owner has satisfied a two-year waiting period. You also may move Traditional IRA assets to a Roth IRA; this is called a conversion and requires you to include the pretax portion of your conversion in your taxable income for the year.

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

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

Q. Can I withdraw money from my Traditional IRA at any time?

A. Unlike most other retirement plans, you can always withdraw money from your Traditional IRA. You may be subject to an IRS penalty tax if you withdraw from your IRA before you are age 59½, unless you meet certain penalty tax exceptions.

Q. If I withdraw money from my Traditional IRA before age 59½, do I pay a penalty tax?

A. In general, you will pay a 10 percent penalty tax on taxable withdrawals you take before age 59½. The penalty tax does not apply however, if you qualify for one of the following exceptions.

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

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

A. Yes. Once you reach age 70½, the IRS mandates that you take out a minimum amount each year. The amount that you have to take generally is calculated by dividing the previous year's ending account balance by a distribution period based on your age and one of the IRS' life expectancy tables. Note that the amount required is the minimum you must take for the year; you can always take more. If you fail to remove your required minimum amount by the end of the year for which it is due, you will be subject to an IRS penalty tax.

Q. Will I have to pay tax on the amount I withdraw from my Traditional IRA?

A. You must include all pretax assets (deductible contributions and earnings) in your taxable income when you withdraw money from your Traditional IRA. If you have made nondeductible contributions to a Traditional IRA or have rolled over nondeductible contributions from a retirement plan to your IRA, a portion of each distribution will be treated as the nontaxable return of these contributions.

Q. What happens to my Traditional IRA after my death?

A. You may designate one or more beneficiaries to receive the assets in your IRA after your death. If your spouse is your beneficiary, your spouse may transfer or roll over your Traditional IRA to his or her own Traditional IRA. All beneficiaries have the option of taking a lump-sum payment. Your beneficiaries also may be allowed to take payments over a number of years. Any tax-deferred money in your Traditional IRA at the time of your death will be taxed as it is distributed to your beneficiaries.

Roth IRA Q & A

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	2017	$118,000 or less	$118,000–$133,000	$133,000 or more
	2018	$120,000 or less	$120,000–$135,000	$135,000 or more
Married, Filing Jointly	2017	$186,000 or less	$186,000–$196,000	$196,000 or more
	2018	$189,000 or less	$189,000–$199,000	$199,000 or more

Q. How much can I contribute to a Roth IRA?

A. If you meet the eligibility requirements, you can contribute 100 percent of your annual compensation up to $5,500 for 2017 and for 2018 ($6,500 if you are age 50 or older). Contribution limits are subject to annual cost-of-living adjustments (COLAs).

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

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, *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 the annual contribution limit applies to all of your IRAs as one; 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 most employer-sponsored retirement plans, such as your 401(k) plan, can be rolled over to Roth IRAs. Check with the administrator of your plan. 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 employer-sponsored retirement plans 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, *Nondeductible 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.

Q. When can I access my Roth IRA money?

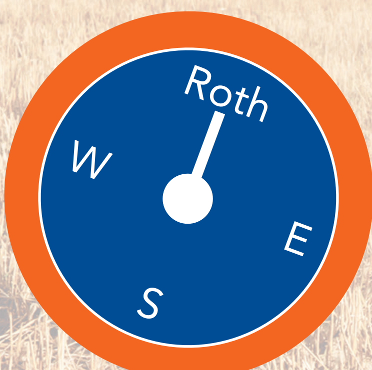
A. Unlike most retirement plans, you always have access to the money in your Roth IRA. You may be subject to tax and penalty, however, depending on the type of assets you withdraw and when you withdraw them.

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
- First-time homebuyer expenses
- Qualified higher education expenses
- Certain unreimbursed medical expenses
- Substantially equal periodic payments
- Disability
- 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.

Traditional vs. Roth IRAs

Explore what each type of IRA has to offer to get the most out of saving for your retirement.

This side-by-side comparison gives a general overview of the main differences between Traditional and Roth IRAs. Use it to help you decide which IRA is right for you. You also may want to talk with your competent tax advisor.

A Traditional IRA may make sense if you

- are eligible for a Traditional IRA deduction,
- are not eligible to contribute to a Roth IRA,
- anticipate a higher tax rate while saving,
- anticipate a lower tax rate during retirement,
- plan to withdraw at least the required minimum distribution (RMD) amounts during retirement, or
- are not concerned about tax implications to beneficiaries.

Traditional IRA

Can I contribute?

You are eligible to contribute to a Traditional IRA if you are under age 70½ and earn compensation (or file a joint return with a spouse who earns compensation).

Can I take an income tax deduction for my contribution?

Whether your Traditional IRA contribution is deductible on your federal income tax return depends on your marital and tax-filing status, your MAGI, and whether you or your spouse actively participate in an employer-sponsored retirement plan. If neither you nor your spouse is an active participant, you are eligible to deduct your full contribution. Otherwise, see the MAGI chart below.

What are the MAGI* limits?

Tax-Filing Status	Active Participant		Full Deduction	Partial Deduction	No Deduction Allowed
Single	Yes	2017	$62,000 or less	$62,000–$72,000	$72,000 or more
		2018	$63,000 or less	$63,000–$73,000	$73,000 or more
Married, Filing Jointly	Yes	2017	$99,000 or less	$99,000–$119,000	$119,000 or more
		2018	$101,000 or less	$101,000–$121,000	$121,000 or more
Married, Filing Jointly	No, but spouse is	2017	$186,000 or less	$186,000–$196,000	$196,000 or more
		2018	$189,000 or less	$189,000–$199,000	$199,000 or more

A Roth IRA may be more fitting if you

- are not eligible for a Traditional IRA deduction,
- anticipate a lower tax rate while saving,
- anticipate a higher tax rate during retirement,
- want to avoid RMDs,
- are concerned about tax implications to beneficiaries, or
- are not eligible to contribute to a Traditional IRA because of the age limit.

If you are eligible for both, why choose? You can contribute to both a Traditional and Roth IRA as long as your total contributions for the year do not exceed the annual limit.

You are eligible to contribute to a Roth IRA if you earn compensation (or file a joint tax return with a spouse who earns compensation) and your modified adjusted gross income (MAGI) is less than or within the defined limits. See the MAGI chart below.

No. Roth IRA contributions are not tax-deductible.

*MAGI is your adjusted gross income before certain deductions or adjustments to income are made. MAGI limits are subject to annual cost-of-living adjustments (COLAs).

Tax-Filing Status		Full Contribution	Partial Contribution	No Contribution Allowed
Single	2017	$118,000 or less	$118,000–$133,000	$133,000 or more
	2018	$120,000 or less	$120,000–$135,000	$135,000 or more
Married, Filing Jointly	2017	$186,000 or less	$186,000–$196,000	$196,000 or more
	2018	$189,000 or less	$189,000–$199,000	$199,000 or more

Traditional IRA

How much can I contribute each year?

You can contribute up to $5,500 for 2017 and for 2018, or if you are age 50 and older, up to $6,500 for 2017 and for 2018. Contributions cannot exceed your annual compensation.

What are the benefits?

- You may qualify for a saver's tax credit of up to $1,000 when you make a contribution.
- Any earnings generated within the IRA are tax-deferred (you do not pay tax on the earnings until you withdraw them).
- If your Traditional IRA contributions are tax-deductible and therefore tax-deferred, you do not pay taxes on them until you withdraw the money.
- Any after-tax amounts (nondeductible contributions) within your IRA can be withdrawn tax- and penalty-free.

Will I ever be required to withdraw the money?

Yes. Traditional IRA owners are required to take annual minimum distributions beginning with the year they turn age 70½. Your beneficiaries also will be subject to required distributions.

NOTE: *You may be subject to a 10 percent early distribution penalty tax on any taxable amount taken from a Traditional IRA before you reach age 59½, unless you qualify for one of these penalty exceptions: disability, certain health insurance costs, certain medical expenses, higher education expenses, first-time homebuyer expenses, substantially equal periodic payments, IRS tax levy, qualified military reservist distributions, or death (beneficiary distributions).*

*These contribution limits are subject to annual COLAs.

Depending on your MAGI, you may be able to contribute up to $5,500* for 2017 and for 2018, or if you are age 50 and older, up to $6,500 for 2017 and for 2018. Regular contributions to both Traditional and Roth IRAs in aggregate cannot exceed these limits, and contributions cannot exceed your annual compensation.

- You may qualify for a saver's tax credit of up to $1,000 when you make a contribution.
- Because all Roth IRA contributions must be included in your taxable income, and therefore are not tax-deductible, you can withdraw your contributions at any time, tax- and penalty-free.
- Any earnings generated within the IRA are tax-deferred (you do not pay tax on the earnings until you withdraw them).
- If you satisfy the qualified distribution* requirements, you can withdraw the earnings tax free, which is the ultimate advantage of having a Roth IRA.
- You are never required to take money out of your Roth IRA, no matter what your age.

*A Roth IRA qualified distribution occurs when money is withdrawn from your Roth IRA after you have owned a Roth IRA for at least five years, and you are age 59½ or older, disabled, a first-time homebuyer, or deceased.

No. Roth IRA owners are never required to take distributions. After your death, however, your beneficiaries may be subject to required distributions.

NOTE: *You may be subject to a 10 percent early distribution penalty tax on any taxable amount taken from a Roth IRA before you reach age 59½, unless you qualify for one of these penalty exceptions: disability, certain health insurance costs, certain medical expenses, higher education expenses, first-time homebuyer expenses, substantially equal periodic payments, IRS tax levy, qualified military reservist distributions, or death (beneficiary distributions).*

Talk to us—we'll be glad to provide you with more information on Roth and Traditional IRA Savings Accounts and Certificates.

Must be eligible for membership and open a share savings account in order to join RFCU® and open an IRA. Minimum balance of $5 is required to open share savings and must be maintained in the share savings account at all times. Some restrictions apply.

Federally insured by NCUA.
Please consult your tax advisor to determine tax benefits of IRAs.

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