REDSTONE FEDERAL CREDIT UNION®
Live Brighter!

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

Save for your retirement with a Traditional IRA.

A Traditional IRA allows you to save for retirement with tax-deferred earnings and a possible tax deduction.

Save money now when you save money for later.

By using a Traditional IRA to save for your future, you may be able to save money today if

- you are eligible to deduct Traditional IRA contributions on your federal income tax return, or
- you qualify for a tax credit of up to $1,000.

But first you must be eligible to contribute to a Traditional IRA.

- You (or your spouse if filing a joint tax return) must earn compensation from employment.
- Starting with the 2020 tax year, you may make a contribution at any age.

Consider talking with a competent tax advisor to determine whether you're eligible for a deduction or tax credit on your Traditional IRA contributions.

A Traditional IRA can help you save for the future. But first, you may have some questions?

Q. What is a Traditional IRA?

A. A Traditional IRA allows you to save for retirement with tax-deferred earnings and the possibility of tax-deductible contributions.

Q. How much can I contribute?

A. If you are eligible, you can contribute 100 percent of your annual compensation up to $6,500 for 2023 and $7,000 for 2024 (plus $1,000 if you are age 50 or older). The contribution limit is subject to annual cost-of-living adjustments (COLAs).

Q. What is the annual deadline to contribute?

A. You can contribute to your IRA until the due date for filing your federal income tax return for the year (generally April 15).

Q. Can I deduct my Traditional IRA contributions?

A. Unless you (or your spouse) actively participate in an employer-sponsored retirement plan, you can deduct your Traditional IRA contributions. If you (or your spouse) are an active plan participant, you still may be able to deduct all or part of your contributions, depending on your modified adjusted gross income (MAGI).

Keep in mind that if you cannot deduct your contribution, you can make nondeductible contributions or possibly contribute to a Roth IRA.

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

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

Q. Can I 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, nor will making Traditional IRA contributions affect what you can contribute to your employer plan.

Q. Can I roll over other retirement plan assets to my Traditional IRA, or roll over my Traditional IRA to another retirement plan?

A. Yes, eligible assets from most employer-sponsored retirement plans, such as your 401(k) plan, can be rolled over to your Traditional IRA. Check with your plan administrator. And, 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 two-year waiting period. You also may move Traditional IRA assets to a Roth IRA through a conversion, which generally is a taxable transaction.

Q. When can I withdraw money from my Traditional IRA?

A. You can withdraw the money anytime, subject to income tax. An IRS penalty tax also may apply unless you are age 59½ or older. If you are age 73 or older, you must withdraw a required minimum amount each year to avoid penalty taxes.

MAGI Limits* for Active Participation

IRA owner	Year	Full deduction	Partial deduction	No deduction
Single, active participant	2023	$73,000 or less	$73,000–$83,000	$83,000 or more
	2024	$77,000 or less	$77,000–$87,000	$87,000 or more
Married, active participant, filing joint tax return	2023	$116,000 or less	$116,000–$136,000	$136,000 or more
	2024	$123,000 or less	$123,000–$143,000	$143,000 or more
Nonactive participant married to active participant, filing joint tax return	2023	$218,000 or less	$218,000–$228,000	$228,000 or more
	2024	$230,000 or less	$230,000–$240,000	$240,000 or more

*Subject to COLAs.

Q. What is the IRS penalty tax if I withdraw money from my Traditional IRA before age 59½?

A. In general, you will pay a 10 percent penalty tax on any taxable amounts you withdraw before age 59½ unless you qualify for a penalty tax exception (death, disability, first-time homebuyer expenses, qualified higher education expenses, certain unreimbursed medical expenses, birth of a child or adoption expenses, substantially equal periodic payments, health insurance premiums during unemployment, IRS levy, qualified reservist distributions, qualified disaster recovery distributions, terminal illness, domestic abuse (starting in 2024), or emergency expenses (starting in 2024)).

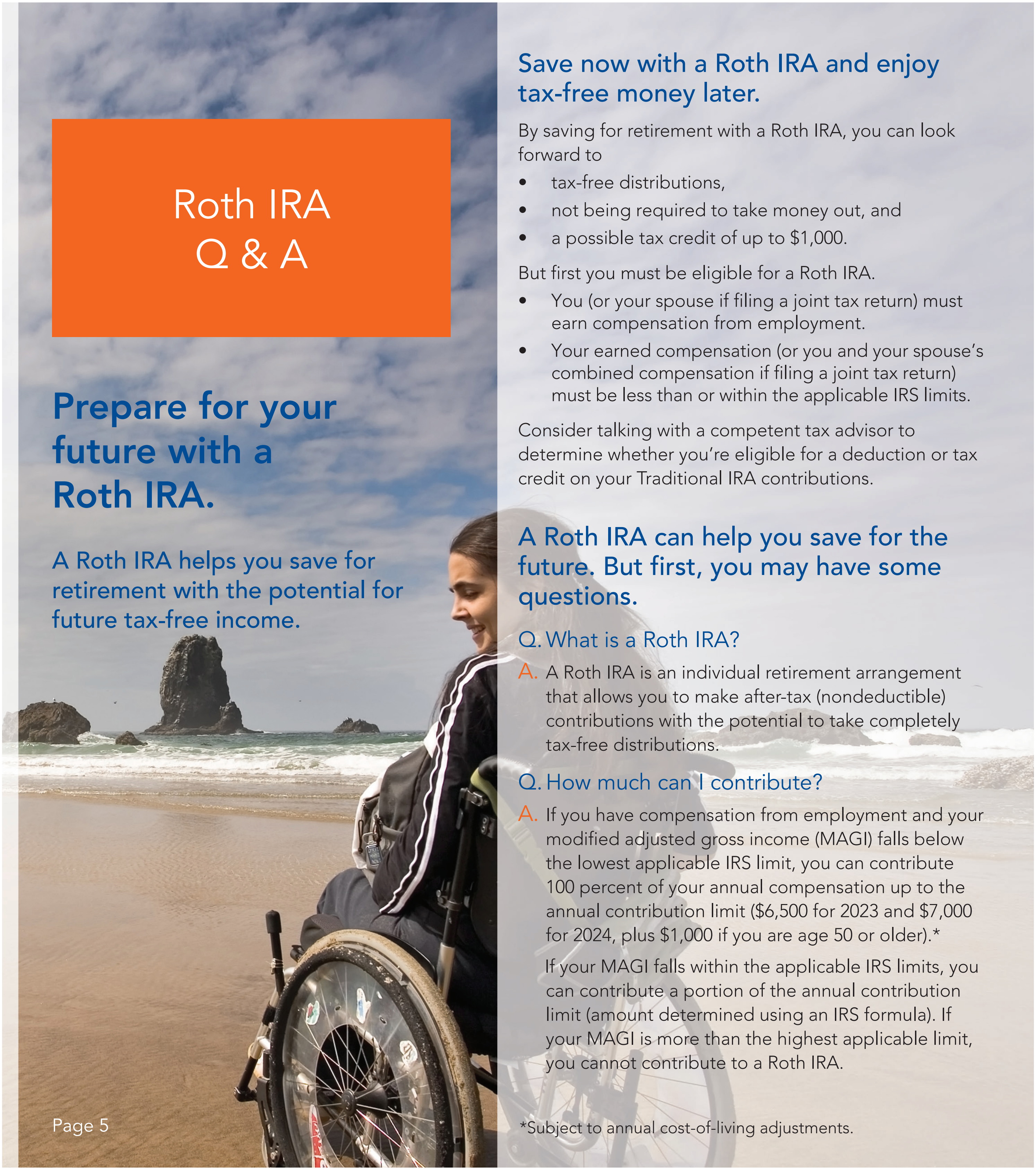
Q. When will I have to pay tax?

A. When you withdraw money from your Traditional IRA, you must include any previously deductible amounts, along with any earnings, in your taxable income for the year. Note that if you previously made any nondeductible contributions or rolled over nondeductible amounts from a retirement plan to your IRA, a portion of each Traditional IRA distribution will be treated as the nontaxable return of these dollars.

Q. What happens to my Traditional IRA after I die?

A. Any beneficiaries you designate will receive your IRA assets after your death. Any tax-deferred money in your Traditional IRA at the time of your death will be taxed as it is distributed to your beneficiaries.

All beneficiaries may take a lump-sum payment. They may also be able to take payments over a certain number of years. In addition, a spouse beneficiary may treat your Traditional IRA as his or her own.



Roth IRA Q & A

Prepare for your future with a Roth IRA.

A Roth IRA helps you save for retirement with the potential for future tax-free income.

Save now with a Roth IRA and enjoy tax-free money later.

By saving for retirement with a Roth IRA, you can look forward to

- tax-free distributions,
- not being required to take money out, and
- a possible tax credit of up to $1,000.

But first you must be eligible for a Roth IRA.

- You (or your spouse if filing a joint tax return) must earn compensation from employment.
- Your earned compensation (or you and your spouse's combined compensation if filing a joint tax return) must be less than or within the applicable IRS limits.

Consider talking with a competent tax advisor to determine whether you're eligible for a deduction or tax credit on your Traditional IRA contributions.

A Roth IRA can help you save for the future. But first, you may have some questions.

Q. What is a Roth IRA?

A. A Roth IRA is an individual retirement arrangement that allows you to make after-tax (nondeductible) contributions with the potential to take completely tax-free distributions.

Q. How much can I contribute?

A. If you have compensation from employment and your modified adjusted gross income (MAGI) falls below the lowest applicable IRS limit, you can contribute 100 percent of your annual compensation up to the annual contribution limit ($6,500 for 2023 and $7,000 for 2024, plus $1,000 if you are age 50 or older).*

If your MAGI falls within the applicable IRS limits, you can contribute a portion of the annual contribution limit (amount determined using an IRS formula). If your MAGI is more than the highest applicable limit, you cannot contribute to a Roth IRA.

*Subject to annual cost-of-living adjustments.

MAGI Limits*

Tax filing status		Full contribution allowed	Partial contribution allowed	No contribution allowed
Single	2023	$138,000 or less	$138,000–$153,000	$153,000 or more
	2024	$146,000 or less	$146,000–$161,000	$161,000 or more
Married, filing jointly	2023	$218,000 or less	$218,000–$228,000	$228,000 or more
	2024	$230,000 or less	$230,000–$240,000	$240,000 or more

*Subject to annual cost-of-living adjustments

Q. What is the annual deadline to contribute?

A. You can contribute to your Roth or Traditional IRA until the due date for filing your federal income tax return for the year (generally April 15).

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

A. Yes. But the contribution amounts that you make to both types of IRAs for the same year cannot total more than your annual contribution limit.

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

A. Yes. Your participation in a retirement plan will not affect your eligibility to contribute to a Roth IRA (assuming compensation requirements are met), nor will making Roth IRA contributions affect what you can contribute to your retirement plan.

Q. Can I roll over other retirement plan assets to my Roth IRA, or roll over my Roth IRA to another retirement plan?

A. Eligible assets from most retirement plans, such as your 401(k) plan, can be rolled over to Roth IRAs. Check with your plan administrator. Your Traditional IRA and SIMPLE IRA assets also can be moved to your Roth IRAs. However, you are not allowed to roll over Roth IRA assets to an employer-sponsored retirement plan. Under certain circumstances, a Roth IRA contribution can be recharacterized as a Traditional IRA contribution.

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

A. Yes. Moving your Traditional IRA money into a Roth IRA is 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. Because of the tax consequences and reporting requirements, you may want to visit with a competent tax advisor before converting.

Q. Can I move assets from a 529 college savings plan to a Roth IRA?

A. Yes. Effective for 2024 and later years, the SECURE 2.0 Act of 2022 permits beneficiaries of 529 plans to roll over amounts from a 529 plan to a Roth IRA under certain conditions.

Q. When can I withdraw money from my Roth IRA?

A. You can withdraw the money from your Roth IRA anytime.

Depending on when you take the money out and what type of Roth IRA assets (contributions, conversion or rollover amounts, or earnings) are included in the distribution, you may be subject to income tax and an IRS penalty tax. But if you have a "qualified distribution" all assets are tax and penalty free.

Q. What is the IRS penalty tax?

A. A 10 percent early distribution penalty tax will apply to the taxable amount of your Roth IRA distribution, unless you qualify for a penalty tax exception (age 59½ or older, death, disability, first-time homebuyer expenses, qualified higher education expenses, certain unreimbursed medical expenses, birth of a child or adoption expenses, substantially equal periodic payments, health insurance premiums during unemployment, IRS levy, qualified reservist distributions, qualified disaster-related distributions, or distributions due to a terminal illness, domestic abuse (starting in 2024), or emergency expenses (starting in 2024)).

Q. What happens to my Roth IRA after I die?

A. Any beneficiaries you designate will receive your Roth IRA assets after your death. Any tax-deferred money in your Roth IRA at the time of your death will be taxable to your beneficiaries upon distribution, unless five years have passed since the first year you contributed to a Roth IRA, in which case, all beneficiary distributions will be tax-free.

All beneficiaries may take a lump-sum payment. They may also be able to take payments over a certain number of years, depending on the year of your death. In addition, a spouse beneficiary may treat your Roth IRA as his or her own.

Traditional and Roth IRAs – Choose the way you save.

There are two types of individual retirement arrangements (IRAs): Traditional and Roth. Though the eligibility requirements differ, often the decision of whether to contribute to a Traditional IRA or a Roth IRA depends on your income. Both offer flexibility, accessibility, and valuable tax benefits.

Traditional IRA

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

Traditional IRA

Can I contribute?

You are eligible to contribute to a Traditional IRA if you earn compensation or file a joint tax return with a spouse who earns compensation. Starting with the 2020 tax year, you may make a contribution at any age.

How much can I contribute?

You can contribute up to $6,500 for 2023, or $7,500 if you are age 50 and older, and $7,000 for 2024, or $8,000 if you are age 50 and older. Contributions cannot exceed your annual 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 and whether you or your spouse actively participate in an employer-sponsored retirement plan. If neither of you is an active participant, you are eligible to deduct your full contribution. Otherwise, you'll need to refer to the MAGI limits for deductibility to determine how much you can deduct.

What is MAGI?

MAGI is your adjusted gross income before a Traditional IRA deduction (and certain other limited deductions or adjustments to income) are made. MAGI limits are subject to annual cost-of-living adjustments (COLAs).

Roth IRA

- You may qualify for a tax credit of up to $1,000 when you make a contribution.
- You can withdraw Roth IRA contributions at any time, tax and penalty free.
- Any earnings 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.
- You are never required to take money out of your Roth IRA, no matter what your age.

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.

Depending on your MAGI, you may be able to contribute up to $6,500 for 2023, or $7,500 if you are age 50 and older, and $7,000 for 2024, or $8,000 if you are age 50 and older. Regular contributions to both Traditional and Roth IRAs in aggregate cannot exceed these limits, and contributions cannot exceed your annual compensation.

Roth IRA contributions are not tax-deductible.

MAGI is your adjusted gross income before a Traditional IRA deduction (and certain other limited deductions or adjustments to income) are made. MAGI limits are subject to annual cost-of-living adjustments (COLAs).

Traditional IRA

What are the MAGI limits?

The MAGI limits for a Traditional IRA are used to determine if and how much you can deduct.

Tax-filing status	Active participation		Full deduction allowed	Partial deduction allowed	No deduction allowed
Single	Yes	2023	$73,000 or less	$73,000–$83,000	$83,000 or more
		2024	$77,000 or less	$77,000–$87,000	$87,000 or more
Married, filing jointly	Yes	2023	$116,000 or less	$116,000–$136,000	$136,000 or more
		2024	$123,000 or less	$123,000–$143,000	$143,000 or more
Married, filing jointly	No, but spouse is	2023	$218,000 or less	$218,000–$228,000	$228,000 or more
		2024	$230,000 or less	$230,000–$240,000	$240,000 or more

When can I withdraw the money?

You may withdraw money from either type of IRA at any time, subject to federal income tax. If you are under age 59½, you will also be subject to a 10 percent early distribution penalty tax on any taxable amount taken, unless you qualify for a penalty exception: death (beneficiary distributions), disability, certain health insurance costs, certain medical expenses, higher education expenses, first-time homebuyer expenses, birth of a child or adoption expenses, substantially equal periodic payments, IRS tax levy, qualified military reservist distributions, qualified disaster-related distributions, or distributions due to a terminal illness, domestic abuse (starting in 2024), or emergency expenses (starting in 2024).

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 73 (or age 72 for those born July 1, 1949, to December 31, 1950, or age 70½ for those born on or before June 30, 1949). Your beneficiaries also will be subject to required distributions.

The MAGI limits for a Roth IRA are used to determine if and how much you can contribute.

Tax-filing status		Full contribution allowed	Partial contribution allowed	No contribution allowed
Single	2023	$138,000 or less	$138,000–$153,000	$153,000 or more
	2024	$146,000 or less	$146,000–$161,000	$161,000 or more
Married, filing jointly	2023	$218,000 or less	$218,000–$228,000	$228,000 or more
	2024	$230,000 or less	$230,000–$240,000	$240,000 or more

You may withdraw money from either type of IRA at any time, subject to federal income tax. If you are under age 59½, you will also be subject to a 10 percent early distribution penalty tax on any taxable amount taken, unless you qualify for a penalty exception: death (beneficiary distributions), disability, certain health insurance costs, certain medical expenses, higher education expenses, first-time homebuyer expenses, birth of a child or adoption expenses, substantially equal periodic payments, IRS tax levy, qualified military reservist distributions, qualified disaster-related distributions, or distributions due to a terminal illness, domestic abuse (starting in 2024), or emergency expenses (starting in 2024).

No. Roth IRA owners are never required to take distributions.

After your death, however, your beneficiaries will be subject to required distributions (unless a spouse beneficiary treats the IRA as her own).

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

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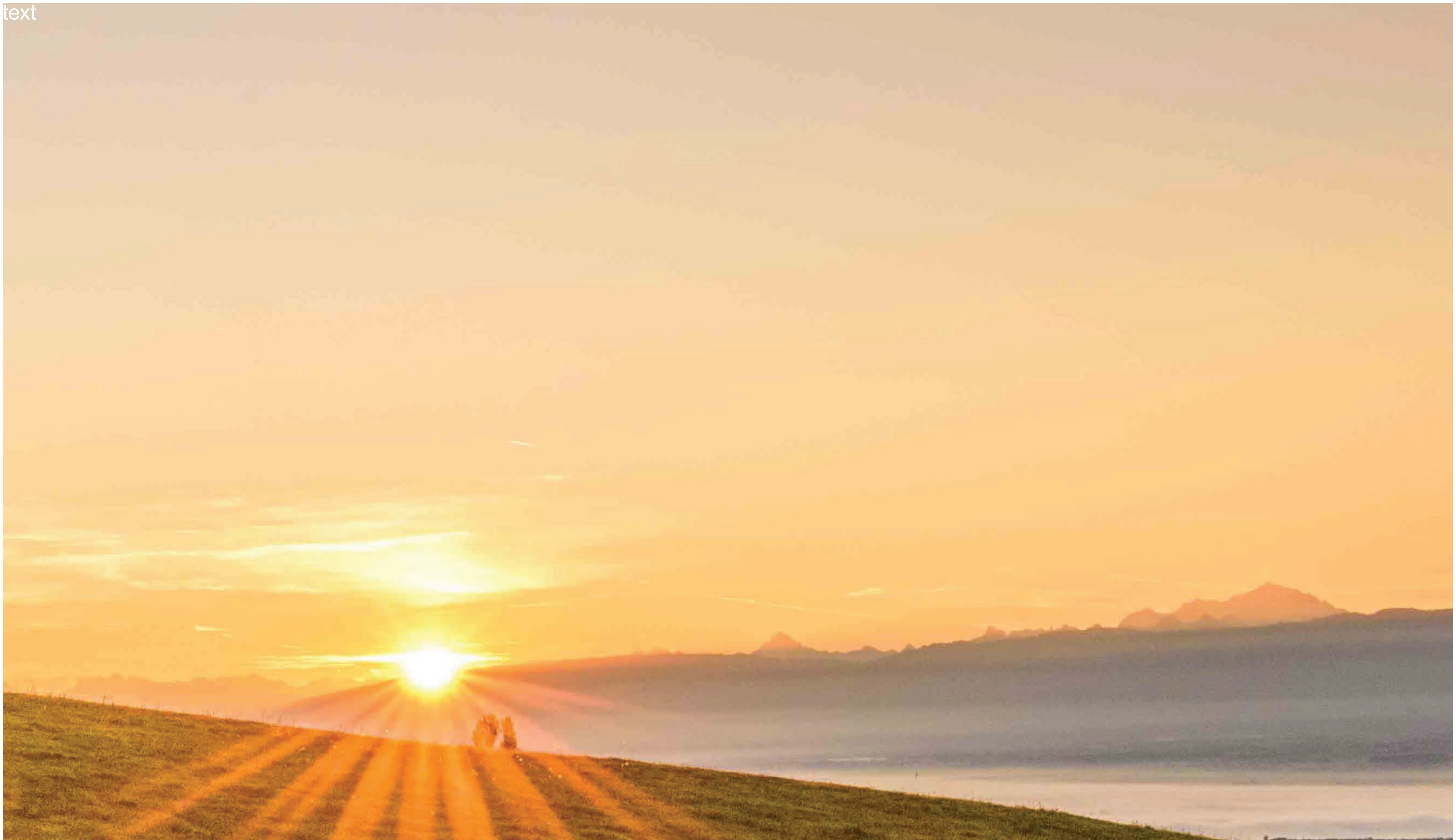

Membership required; visit redfcu.org/join for details.

A minimum balance of $5 is required to open a 12- or 18- month IRA certificate.
A minimum balance of $500 is required to open a 24–144-month IRA certificate.
The minimum balance required to open an IRA Savings is $5.

Fees and other restrictions may apply.
Early withdrawal penalties may apply. Fees and other conditions could reduce earnings on your account. For IRA Savings accounts, the dividend rate and APY may change every month. For IRA Certificates, any withdrawal which reduces the remaining balance below the minimum may be treated as a complete withdrawal and the IRA will be closed.

RFCU is federally insured by NCUA.

RFCU does not offer tax advice.
Please see your tax advisor for your specific questions.

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