

## IRA Type & Eligibility Q&A

**Note:** The information below is designed to provide general information concerning IRA accounts. It is not intended to provide legal advice nor to be a detailed explanation of how this information may apply to your individual circumstances. For specific information, you are encouraged to consult your tax or legal professional, IRS Publication 590 for Individual Retirement Accounts, and/or the IRS website at [www.irs.gov](http://www.irs.gov).

### What is a Traditional IRA?

Traditional IRAs were designed to allow individuals to save for their retirement while giving them a tax break now. The idea is to give people the opportunity to relieve some tax liability during their working years and defer it until retirement when they are generally in a lower tax bracket. Contributions are generally tax-deductible depending on your income levels and tax filing status (refer to the *IRA Contribution Q&A* for specific limits). Contributions can be made to a Traditional IRA based on the eligibility requirements below:

- IRA owner must be under the age of 70½
- IRA owner must have earned income (exceptions can be made for non-working spouses)

### What is a Roth IRA?

Roth IRAs were created through the Taxpayer Relief Act of 1997 to help low and middle income people save for retirement. Contributions made to the Roth IRA are **not** tax deductible, however, withdrawal of the earnings are generally tax-free when taken for a qualified reason (refer to the *IRA Distribution Q&A* for specific qualifications). Contributions can be made to a Roth IRA, regardless of age, based on the eligibility limits listed below:

- IRA owner must have earned income (exceptions can be made for non-working spouses)
- MAGI cannot exceed the limits below based on tax filing status:

	2014	2015
Married, filing jointly	\$191,000	\$193,000
Single, head of household	\$129,000	\$131,000
Married, filing separately	\$10,000	\$10,000

### Can I establish both a Traditional and a Roth IRA?

Yes. As long as the aggregate total of your contributions don't exceed the maximum limit for the year (refer to the *IRA Contribution Q&A* for current limits), contributions may be split between the two IRA types. Refer to a tax professional for specific recommendations based on your individual tax needs.

### What is a SEP IRA?

A SEP IRA was created as a means for small business owners to contribute to a retirement plan for their employees. The employer makes contributions to their employee's IRA based on certain business requirements. These contributions are in addition to any personal



contributions that are made to your Traditional and/or Roth IRAs. Eligibility for a SEP IRA is determined solely by the employer and regulated through IRS guidelines.

### **Can I Covert my Traditional IRA To a Roth IRA?**

Yes. This is called an IRA Conversion. The amount converted will be subject to income taxes, however, the 10% IRS penalty will not apply. (Specific rules may apply, please see your tax professional before doing a Roth Conversion)

### **Can I move my IRA from one institution to another?**

Yes. IRAs can be moved from one institution to another as often as desired. This can be done by notifying the financial institution directly and doing a 'Direct Transfer' or by making a withdrawal at one institution and 'Rolling Over' the funds with another institution. A 'Direct Transfer' is a non-reportable transaction and therefore, there is usually less room for error. A 'Rollover' reports both the withdrawal and the contribution to the IRS and the two cancel each other out for tax purposes.

### **Can I invest my IRA in mutual funds?**

Yes. IRAs can be invested in many different ways. Contact your tax advisor or our TFS Financial Advisors at 1-800-877-8328 for more information.

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