

Know Your IRA Options

KNOW YOUR IRA OPTIONS

COMPARE TRADITIONAL AND ROTH
INDIVIDUAL RETIREMENT ACCOUNTS



Selecting the right individual retirement account (IRA) depends on several factors, including your age, earned income, and current and future anticipated effective tax rates.





It's important to consider what your effective tax rate may be when you start taking withdrawals, as that may impact your taxable income.

HERE'S A QUICK OVERVIEW OF THE TWO MAIN TYPES OF IRAs.

	TRADITIONAL IRA	ROTH IRA
AGE RESTRICTIONS	<ul style="list-style-type: none"> There are no age restrictions, provided you have earned income or have a spouse who has earned income and you file a joint tax return. 	<ul style="list-style-type: none"> There are no age restrictions.
CONTRIBUTIONS	<ul style="list-style-type: none"> You (or your spouse, if filing jointly) must earn taxable income to contribute. There are no income limitations. Contributions may be tax-deductible. 2023 limit:* <ul style="list-style-type: none"> - Younger than age 50: \$6,500 - Age 50 or older: \$7,500 	<ul style="list-style-type: none"> You (or your spouse, if filing jointly) must earn taxable income to contribute. Your modified adjusted gross income (AGI) must be less than certain limits imposed by the IRS. Visit irs.gov for more information. Contributions are not tax-deductible. 2023 limit:* <ul style="list-style-type: none"> - Younger than age 50: \$6,500 - Age 50 or older: \$7,500
EARNINGS	<ul style="list-style-type: none"> Your earnings grow tax-deferred. 	<ul style="list-style-type: none"> Your earnings grow tax-free.**

* Limit applies to all types of IRAs combined

** Qualified distributions from a Roth IRA are tax-free as long as you're at least 59 ½ and have held the account for at least five years.

	TRADITIONAL IRA	ROTH IRA
 <p>EARLY WITHDRAWALS (before age 59½)</p>	<ul style="list-style-type: none"> You may be subject to a 10% penalty in addition to any ordinary income tax that may be due (exceptions may apply). 	<ul style="list-style-type: none"> Roth contributions can be withdrawn tax-free at any time. Earnings are subject to ordinary income tax and a 10% penalty (exceptions may apply).
 <p>WITHDRAWALS (after age 59½)</p>	<ul style="list-style-type: none"> Withdrawals are penalty-free but taxed as current income. 	<ul style="list-style-type: none"> Withdrawals are tax- and penalty-free as long as the Roth IRA has been open for five years.
 <p>REQUIRED MINIMUM DISTRIBUTION (RMD)</p>	<ul style="list-style-type: none"> You must take your first RMD for the year in which you turn age 72 (73 if you reach age 72 after Dec 31, 2022).* If you have more than one IRA, you must calculate the RMD for each IRA separately each year. However, you may aggregate your RMD amounts for all of your IRAs; and withdraw the total from one IRA or a portion from each of your IRAs. You do not have to take a separate RMD from each IRA. 	<ul style="list-style-type: none"> No required minimum distributions at any age.
 <p>FUNDING OPTIONS</p>	<ul style="list-style-type: none"> You can contribute the money you earned tax-deferred. You can directly roll over an employer-sponsored plan — such as a 401(k) or 403(b) — or another IRA as many times as needed.** Indirect (or 60-day) rollovers are limited to once a year. 	<ul style="list-style-type: none"> You can use money you've earned after-tax. You can roll over a Roth 401(k) or Roth 403(b) tax-free. You can convert a traditional IRA to a Roth IRA, but tax implications will apply.*** A Roth IRA cannot be converted to a traditional IRA.

If you're trying to decide between a traditional or Roth IRA, we have retirement professionals who can help. Transamerica and its agents and representatives do not provide tax or legal advice. This material is for informational purposes and should not be construed as legal or tax advice. For legal or tax advice concerning your situation, please consult your attorney or tax professional.

Get in touch:



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* The first RMD can be delayed until April 1 of the year following your 72nd birthday, but subsequent, distributions must be taken by December 31 of each calendar year.

** Employer-sponsored retirement plans may have features that you may find beneficial such as access to institutional funds, fiduciary selected investments, and other ERISA protections not afforded to other investors. In deciding whether to do a rollover from a retirement plan, be sure to consider whether the asset transfer changes any features or benefits that may be important to you. Review the fees and expenses you pay to see if rolling over into an IRA could help reduce your costs.

*** The tax costs with a Roth IRA conversion can be significant. Contributions are subject to taxes that were previously deferred, including any accumulated earnings. You may also be pushed into a higher tax bracket, especially if converting a large amount of money.

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