

What is a Roth IRA?

A Roth IRA is an individual retirement account that allows you to exclude earnings from income tax. Here's a list of some of the features:

- Contributions are not tax deductible, but if certain rules are followed, earnings are never included in income.
- No minimum distribution requirements for original account owner and spouse.
- When the account is five years old and the taxpayer attains age 59½, he or she can take tax-free distributions as needed.
- Savings are passed on tax-free to beneficiaries when the account holder dies.

Who can make contributions?

- An individual who has earned income and a modified adjusted gross income (MAGI) that is less than certain limits. (For most taxpayers, MAGI is the same as adjusted gross income.)
- If an individual is also contributing to a retirement plan with an employer, contributions to a Roth IRA are allowed.
- Rules for spousal contributions are the same as for traditional IRAs.
- After age 70½ there are no contribution restrictions, provided there is earned income.

How much can an individual contribute to a Roth IRA?

The same rules apply as for a traditional IRA; however, combined contributions to a Roth and a traditional IRA cannot exceed \$5,500 for 2015 and 2016. If you are age 50 or older, you can contribute an additional \$1,000 for 2015 and 2016.

2015 Roth IRA Contribution Limits:

MAGI	Filing Status*	Contribution
\$116,000 or less	S, HH, QW	Full
\$116,001–\$130,999	S, HH, QW	Partial
\$131,000 or more	S, HH, QW	None
\$183,000 or less	MFJ	Full
\$183,001–\$192,999	MFJ	Partial
\$193,000 or more	MFJ	None
\$0–\$9,999	MFS	Partial
\$10,000 or more	MFS	None

2016 Roth IRA Contribution Limits:

MAGI	Filing Status*	Contribution
\$117,000 or less	S, HH, QW	Full
\$117,001–\$131,999	S, HH, QW	Partial
\$132,000 or more	S, HH, QW	None
\$184,000 or less	MFJ	Full
\$184,001–\$193,999	MFJ	Partial
\$194,000 or more	MFJ	None
\$0–\$9,999	MFS	Partial
\$10,000 or more	MFS	None

What contributions are deductible?

Contributions are not deductible, but earnings accumulate tax-free in the account.

Is there a deadline for establishing a Roth IRA and making contributions?

Like the traditional IRA, the Roth IRA must be established and funded by the tax return filing deadline for the year in which the plan is to become active (not including extensions). This date is generally April 15 for calendar-year taxpayers.

What if I want to convert my traditional IRA to a Roth IRA?

There are no longer modified adjusted gross income limitations or restrictions. All individuals, regardless of filing status or MAGI, are eligible to roll over traditional IRAs.

When can I take distributions?

Distributions are taxed differently at different times, but may be taken any time, as desired. Required minimum distributions do not apply to a Roth IRA.

Ordering rule for distributions

There is an ordering rule for Roth IRA distributions:

- Distributions are treated as made from regular contributions first. These amounts are always returned tax free and penalty free regardless of when distributions are made.
- Second, distributions are treated as made from conversion amounts.
- Last, distributions are treated as made from earnings.

Can distributions ever be taken without incurring taxes or penalties?

Distributions made from regular contributions are always available to you tax free and penalty free. Distributions made from converted amounts are always tax free (you paid tax on the amount when you converted it). Please contact your tax advisor for more information about penalties on converted amounts.

*Filing Status: S = Single; MFJ = Married Filing Joint; QW = Qualifying Widow(er); MFS = Married Filing Separate; HH = Head of Household.

Under the following circumstances, distributions become penalty free and tax free beginning in the first year a contribution is made as long as the account has been held for a five-year period:

- Taxpayer reaches age 59½.
- Taxpayer becomes a first-time home buyer (up to \$10,000).
- Taxpayer becomes disabled.
- Taxpayer dies.

Are there any exceptions to the 10% penalty?

Under the following circumstances, taxable distributions before reaching age 59½, and before the five-year period, are not subject to the 10% penalty:

- Account holder becomes disabled or dies.
- Account holder takes up to a \$10,000 distribution to purchase a first home.
- Account holder takes substantially equal periodic payments based on his or her life expectancy.
- Account holder pays medical expenses in excess of 10% of his or her adjusted gross income (7.5% if you or your spouse are age 65 or older).
- Account holder pays health insurance premiums for eligible unemployed individuals.
- Account holder pays higher education expenses.
- The IRS levies the account.
- Account holder is a reservist or National Guard member called to active duty for a period exceeding 179 days after September 11, 2001. (The exception only applies to distributions made during active duty.)

Distributions after death

If an account holder dies and his or her spouse is the beneficiary, the spouse will be considered the account owner. All other beneficiaries are required to take distributions from inherited Roth IRAs over their life expectancies or distribute the entire balance within five years.

Can I roll over contributions?

Please contact your tax advisor for more information regarding rollovers.

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Roth IRA

An Alternative to the
Traditional IRA

