

The top section of the cover features a marbled background with shades of grey and white. The text is centered in a dark blue, serif font.

IRAs & Roth IRAs

The middle and bottom sections of the cover feature a background image of the Statue of Liberty, rendered in a light, semi-transparent grey. The statue is shown from the chest up, with her crown and face clearly visible. The background is filled with stars, suggesting the American flag.

The Special 50+ IRA Contribution Rules

Questions & Answers

What is the purpose of this brochure?

The purpose of this brochure is to explain the special contribution rules when making a contribution to their traditional IRA and/or Roth IRA for individuals age 50 or older. You are allowed to make an additional or catch-up contribution of \$1,000.

Commencing with tax year 2020, as long as you are still working and have compensation you are eligible to make a traditional IRA contribution. The rule making a person ineligible to make a contribution for the year one attains age 70½ has been repealed. If you are married and one of you has compensation, then both of you are eligible to make a traditional IRA contribution. You are required to file a joint income tax return.

What is the purpose of the special 50+ contribution rules?

If you are an individual who are at least 50 years old, then you may not have saved as much as you want for retirement. You are now eligible, in certain situations, to make larger contributions to a traditional IRA and/or Roth IRA than those individuals who are younger than age 50. The concept of these contribution rules is to allow you to make additional contributions. Obviously, a larger yearly contribution allows your IRA balance to accumulate more quickly.

What are the contribution limits for a person who is age 50 or older?

<u>Tax Year</u>	<u>Amount</u>	
2008-2012	\$6,000	(\$5,000 + \$1,000)
2013-2018	\$6,500	(\$5,500 + \$1,000)
2019-2022	\$7,000	(\$6,000 + \$1,000)
2023	\$7,500	(\$6,500 + \$1,000)

When will I qualify for the larger contribution amount?

You qualify if you attain (or have attained) age 50 by December 31 of the current tax year.

Is there an aggregate contribution limit?

Yes. You must add together any contributions to a traditional IRA and a Roth IRA. If not at least 50 for tax year 2022, there is a combined limit of \$6,000 and \$6,500 for 2023. If age 50 or older, the combined limit \$7,000 and \$7,500 for 2023. For example, if, in 2022, you contribute \$1,000 to a

traditional IRA and you are age 50 or over, then the most you may permissibly contribute to your Roth IRA will be \$6,000, since the overall limit is \$7,000.

What will I need to do to take advantage of the 50+ contribution limits and/or the new contribution rule?

You need to make an IRA contribution to your traditional IRA and/or Roth IRA.

How do I establish an IRA if I don't have one?

Please see us and we will assist you. Set forth below is a summary of the basic rules for a traditional IRA and a Roth IRA. You may want to establish one or both of these IRAs.

THE TRADITIONAL IRA

What is a traditional Individual Retirement Account (traditional IRA)?

A traditional IRA is a special tax-deferred savings account authorized by Internal Revenue Code section 408. It is a unique and simple way to encourage people to save money for retirement.

What are the tax benefits realized from a traditional IRA?

Generally, you may add up to \$7,000 of earned income for 2022 and \$7,500 for 2023 to your IRA account and have it be either fully or partially tax deductible (see Deductibility Chart). If your contribution is tax deductible, then you receive two tax benefits: 1) an immediate tax savings because you will pay fewer taxes because of the deduction and, (2) the earnings generated by the IRA funds are not taxed until distributed. If your contribution is not tax deductible, you still receive the tax benefit of tax deferral on the IRA's earnings. You may also qualify for a tax credit.

When do I have to establish the traditional IRA?

You have until the due date (without extensions) for filing your federal income tax return, normally April 15, to establish and fund your traditional IRA for the previous tax year.

Am I eligible to contribute to a traditional IRA?

For 2020 and subsequent years, you are eligible for a regular contribution if you have compensation (income earned from

performing material personal services). You may also qualify for a rollover or a transfer contribution.

How much am I eligible to contribute to my traditional IRA for the current tax year if I will be at least age 50 as of December 31, 2022?

You are eligible to contribute the lesser of 100% of your compensation, or \$7,000, as reduced by any amount you contributed to your Roth IRA for the same tax year.

How much am I eligible to contribute to my traditional IRA for the current tax year if I will be at least age 50 as of December 31, 2023?

You are eligible to contribute the lesser of 100% of your compensation, or \$7,500, as reduced by any amount you contributed to your Roth IRA for the same tax year.

To what extent will I be entitled to a tax deduction for my 2022 and 2023 IRA contribution?

The answer depends upon your filing status, whether or not you and/or your spouse is covered by an employer-sponsored retirement plan at work, and your modified adjusted gross income (AGI). The amount you can deduct is the contribution limit, as applicable, for 2022 and 2023 as reduced by the amount you cannot deduct.

If you are single and you are not covered under an employer-sponsored retirement plan, then you are entitled to a full deduction to the extent of your contributions, regardless of your income.

If you are married and neither you nor your spouse is covered under an employer-sponsored retirement plan, then you are entitled to a full deduction to the extent of your contributions, regardless of your income.

If you are single and you are covered under an employer-sponsored retirement plan, or if you are married and both of you are covered under an employer-sponsored retirement plan, then you will be entitled to only a partial deduction or no deduction, as summarized in the IRA Contribution Deductibility charts.

If you are married and one of you is an active participant and the other is not, you will want to review another chart which can be found in IRS Publication 590-A. A contribution may be made for 2022 to the IRA of the spouse who is not an active participant and a deduction claimed for such contribution as long as the couple's MAGI is less than \$204,000. If your MAGI would be in the range of \$204,000 to \$214,000, you could claim a partial deduction. If your MAGI would exceed

IRA Contribution Deductibility Chart for 2022

(for participants and/or spouses in
employer-sponsored retirement plans.)

Amount of Modified AGI - (Combined modified AGI if married)

Single or Head of Household

Below \$68,000 or less	Entitled to full deduction
\$68,001-\$77,999.99	Entitled to prorated deduction amount - use special formula**
\$78,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$68,000/\$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, both are covered or qualifying widower

Below \$109,000 or less	Entitled to full deduction
\$109,001 - \$128,999.99	Entitled to prorated deduction amount - use special formula**
\$129,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$109,000/\$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only you are covered or qualifying widower

Below \$109,000 or less	Fully Deductible
\$109,001-\$128,999.99	Entitled to prorated deduction amount - use special formula**
\$129,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$109,000/\$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only your spouse is covered

Below \$204,000 or less	Fully Deductible
\$204,001-\$213,999.99	Entitled to prorated deduction amount - use special formula**
\$214,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$204,000/\$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married Filing Separately

Below \$10,000	Entitled to prorated deduction amount - use special formula**
\$10,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$0/\$10,000. This will give you a ratio that determines the amount you cannot deduct.*

*Any amount determined under this formula which is not a multiple of \$10 shall be rounded to the next lowest \$10.

However, an IRA accountholder will be able to deduct a minimum of \$200 as long as his or her AGI is not above the phase-out range (base amount plus \$10,000).

IRA Contribution Deductibility Chart for 2023

(for participants and/or spouses in
employer-sponsored retirement plans.)

Amount of Modified AGI - (Combined modified AGI if married)

Single or Head of Household

Below \$73,000 or less	Entitled to full deduction
\$73,001-\$82,999.99	Entitled to prorated deduction amount - use special formula**
\$83,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$73,000/\$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, both are covered or qualifying widower

Below \$116,000 or less	Entitled to full deduction
\$116,001 - \$135,999.99	Entitled to prorated deduction amount - use special formula**
\$136,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$116,000/\$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only you are covered or qualifying widower

Below \$116,000 or less	Fully Deductible
\$116,001-\$135,999.99	Entitled to prorated deduction amount - use special formula**
\$136,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$116,000/\$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only your spouse is covered

Below \$218,000 or less	Fully Deductible
\$218,001-\$213,999.99	Entitled to prorated deduction amount - use special formula**
\$228,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$218,000/\$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married Filing Separately

Below \$10,000	Entitled to prorated deduction amount - use special formula**
\$10,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$0/\$10,000. This will give you a ratio that determines the amount you cannot deduct.*

*Any amount determined under this formula which is not a multiple of \$10 shall be rounded to the next lowest \$10.

However, an IRA accountholder will be able to deduct a minimum of \$200 as long as his or her AGI is not above the phase-out range (base amount plus \$10,000).

\$214,000, you are eligible to claim any deduction. A contribution may be made for 2023 to the IRA of the spouse who is not an active participant and a deduction claimed for such contribution as long as the couple's MAGI is less than \$218,000. If your MAGI would be in the range of \$218,000 to \$228,000, you could claim a partial deduction. If your MAGI would exceed \$228,000, you are ineligible to claim any deduction.

THE ROTH IRA

What is a Roth Individual Retirement Account (Roth IRA)?

A Roth IRA is a type of tax-preferred savings and investment account authorized by Internal Revenue Code section 408A. The Roth IRA allows you to accumulate assets for retirement purposes and for other purposes, such as transferring to your children or grandchildren after you have died.

What are the tax benefits of a Roth IRA?

A Roth IRA will produce tax-free income if certain rules are met. You or your beneficiary(ies) will not be required to include in income, for income tax purposes, a distribution paid from a Roth IRA, whether it be the return of a contribution or the account's earnings. In some cases, you may be eligible to claim a tax credit because of your Roth IRA contribution.

What is the basic concept of a Roth IRA, and what are the associated tax benefits?

If you are eligible, you may make contributions, within limits, to the Roth IRA. You make these contributions with after-tax dollars. The earnings realized by the Roth IRA are not presently taxed, and if certain distribution rules are met, will never be taxed. For example, if you are age 42 on January 1, 2020, and you contribute \$1,000 a year for 34 years (2020-2053) to a Roth IRA, then your contributions of \$34,000 would accumulate to \$110,434.88 as of December 31, 2053, if an earnings rate of 6% compounded annually were realized. You and your beneficiary(ies) would not pay any federal income tax on the contribution amount of \$34,000 when distributed, because you cannot claim a tax deduction for your contributions. However, the great tax benefit to be realized from a Roth IRA is that you and your beneficiary(ies) will not have to include in your taxable income the earnings of \$76,434.88 (and subsequent future earnings) when distributed to you or your beneficiary(ies),

as long as the distributions are qualified distributions, as defined later.

THE CONTRIBUTION RULES

When do I have to establish the Roth IRA?

You have until the due date (without extensions) for filing your federal income tax return, normally April 15, to establish and fund your Roth IRA for the previous tax year.

Am I eligible to make an annual contribution to a Roth IRA?

You are eligible if you satisfy the following two requirements: (1) you have earned income or compensation; and (2) you meet certain income limitations. Be aware that you are eligible to make contributions to a Roth IRA even though you are older than age 70.

If your income (and your spouse's income, if you are married) is too high, you will not be eligible to make a contribu-

Roth IRA Contribution Chart for 2022

Amount of AGI and Filing Status

Single, Head of Household or Qualifying Widow(er)

Below \$129,000	Entitled to full contribution amount
\$129,000-\$143,999.99	Entitled to prorated contribution amount - use special formula*
\$144,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$129,000/\$15,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

Married Filing Jointly

Below \$204,000	Entitled to full contribution amount.
\$204,000-213,999.99	Entitled to prorated contribution amount - use special formula*
\$214,000 or more	No contribution permissible.

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$204,000/\$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

Married Filing Separate Returns

\$0-\$9,999.99	Entitled to prorated contribution amount - use special formula*
\$10,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$0/\$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

tion to a Roth IRA. For 2022, if you are single, you become ineligible when your adjusted gross income is \$144,000 or greater. If you are married, and file a joint return, you become ineligible when the combined adjusted gross income (AGI) of you and your spouse is \$214,000 or greater. If you are married and file a separate return, you become ineligible when your adjusted gross income is \$10,000 or greater. For a given year, you may be ineligible to contribute to a Roth IRA, but still be eligible to contribute to a traditional IRA .

May I contribute to a Roth IRA after age 70½?

Yes, no age limit is imposed for Roth IRA contributions.

How much am I eligible to contribute to my Roth IRA for the 2022 and 2023 tax years if I will NOT be at least age 50 as of December 31?

For 2022 you are eligible to contribute the lesser of 100% of your compensation, or \$6,000 and \$6,500 for 2023, as reduced by (1) application of the special income and filing

Roth IRA Contribution Chart for 2023

Amount of AGI and Filing Status

Single, Head of Household or Qualifying Widow(er)

Below \$138,000	Entitled to full contribution amount
\$138,000-\$152,999.99	Entitled to prorated contribution amount - use special formula*
\$153,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$138,000/\$15,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

Married Filing Jointly

Below \$218,000	Entitled to full contribution amount.
\$218,000-227,999.99	Entitled to prorated contribution amount - use special formula*
\$228,000 or more	No contribution permissible.

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$218,000/\$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

Married Filing Separate Returns

\$0-\$9,999.99	Entitled to prorated contribution amount - use special formula*
\$10,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$0/\$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

status limitation rule and (2) any amount you contributed to your traditional IRA for the same tax year.

How much am I eligible to contribute to my Roth IRA for the 2022 and 2023 tax years if I will be at least age 50 as of December 31?

For 2022 you are also eligible to contribute the lesser of 100% of your compensation, or \$7,000, and \$7,500 for 2023 as reduced by (1) application of the special income and filing status limitation rule and (2) any amount you contributed to your traditional IRA for the same tax year.

THE ROTH IRA CONVERSION RULES

Why convert my traditional IRA to a Roth IRA?

The income earned by the funds within a Roth IRA will be tax free to you or your beneficiaries when withdrawn as a qualified distribution. The income earned within your traditional IRA is always taxable when withdrawn.

How do I convert my traditional IRA?

You can convert amounts from your traditional IRA to a Roth IRA by using any one of three methods. You direct the custodian/trustee of your traditional IRA to transfer an amount from your traditional IRA to your Roth IRA.

What income tax will I owe because of a conversion made in 2022 or subsequent years?

You must include in your gross income (at the applicable marginal tax rate) distributions from a traditional IRA that you would have had to include in income if you had not converted them into a Roth IRA.

How do I establish my traditional IRA and/or Roth IRA?

Just come in and talk with us.

The information provided in this brochure is not intended to be legal or tax advice. You should consult your attorney or tax advisor for information that relates to your specific circumstances.

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