



## IRA Updates

### What is the contribution limit for 2016?

Under the age of 50 is \$5,500  
50 and over is \$6,500.

*These limits apply to both Traditional and Roth IRAs.*

### Who is eligible?

**Traditional IRA:** Anyone under the age of 70 ½ who has earned income. Examples of earned income include wages, salary, tips, alimony, profit from business, etc.

**Roth IRA:** Anyone with earned income can open a Roth IRA, with no minimum or maximum age requirements.

(See illustration below for Modified Adjusted Gross Income limits)

### ROTH IRA CONTRIBUTION ELIGIBILITY MODIFIED ADJUSTED INCOME PHASEOUT CHART

#### Single Taxpayers

Tax Years	Full Contribution	Partial Contribution	No Contribution
2015	< \$116,000	\$116,000-\$131,000	> \$131,000
2016	< \$117,000	≥\$117,000-131,999	≥\$132,000

#### Married Taxpayers Filing Jointly

Tax Years	Full Contribution	Partial Contribution	No Contribution
2015	< \$183,000	\$183,000-\$193,000	> \$193,000
2016	< \$184,000	≥\$184,000-\$193,999	> \$194,000

### What are the tax advantages?

**Traditional IRA:** Takes either deductible or nondeductible contributions. Contributions will earn tax-deferred income. You will not pay taxes on deductible contributions or any earnings until you withdraw money.

**Roth IRA:** Earns tax free interest as long as owner is alive. The earnings on the contributions accumulate tax-free as long as the five year waiting period from establishing any Roth has been satisfied and qualifying distribution rules have been properly met. Contributions are always non-deductible.

### Is there an age limit for contributions?

**Traditional IRA:** No minimum age is required as long as the accountholder has earned income. The accountholder must also be filing a tax return. However, you must be under 70 ½ to make a contribution. You may not make a contribution “for the year” an accountholder turns 70 ½ or after to a Traditional IRA. The deadline for previous year contributions would be April 15<sup>th</sup> (or the next business day).

**Roth IRA:** No minimum age required to open or contribute to a Roth IRA as long as the individual has earned income and files a tax return. No maximum age is applicable either. You may contribute after age 70 ½ as long as you have earned income and are filing a tax return.

### Are rollovers and transfers permitted?

**Traditional IRA:** Yes. You may rollover or transfer to and from other Traditional IRAs. SEPs can be rolled into Traditional IRAs, and SIMPLE plans can be rolled into Traditional IRAs after the two-year participation period has been completed. In regards to transfers, SEPs can be transferred into Traditional IRAs, and SIMPLE plans can be transferred into Traditional IRAs after the two-year participation period has been completed in the SIMPLE. It is not possible to transfer a traditional IRA into a Roth IRA. That would be considered a “conversion.”

**Roth IRA:** Yes. You may rollover or transfer to and from other Roth IRAs.

### What are the withdrawal rules?

**Traditional IRA:** Funds are available to accountholders at any time. However, if the accountholder is under the age of 59 ½, a 10% premature distribution penalty could be imposed by the IRS on the amount withdrawn. You may also be assessed a penalty by the bank for early withdrawal if the investment is not within maturity.

**Roth IRA:** You may take distributions from a Regular Roth IRA at any time. ROTH distribution rules differ from those of Traditional IRAs in that a withdrawal from a Roth is considered a return of the qualified contributions (principal) first, and then the earnings. A distribution of principal (already-taxed basis) may be taken at any time without being taxed or penalized by the IRS. However, the bank may still impose an early withdrawal penalty. After all of the principal has been withdrawn, the interest may be taxable income. Therefore, it may be penalized if the 5 year period has not been met and/or it is not a qualified distribution.

	Traditional IRA	Roth IRA
<b>What is the contribution limit for 2015/2016?</b>	The contribution limit for those under the age of 50 is \$5500. The contribution limit for those 50 and over is \$6500.	The contribution limit for those under the age of 50 is \$5500. The contribution limit for those 50 and over is \$6500.
<b>Who is eligible?</b>	Anyone under the age of 70 ½ who has earned income. Examples of earned income include wages, salary, tips, alimony, profit from business, etc.	Anyone with earned income can open a Roth IRA, with no minimum or maximum age requirements.
<b>What are the tax advantages? Is my contribution tax deductible?</b>	Takes either deductible or nondeductible contributions. Contributions will earn tax-deferred income. You will not pay taxes on deductible contributions or any earnings until you withdraw money.	Earns tax free interest as long as owner is alive. The earnings on the contributions accumulate tax-free as long as the five year waiting period from establishing any Roth has been satisfied and qualifying distribution rules have been properly met. Contributions are always non-deductible.
<b>Is there an age limit for contributions?</b>	No minimum age is required as long as the accountholder has earned income. The accountholder must also be filing a tax return. However, you	No minimum age required to open or contribute to a Roth IRA as long as the individual has earned income and files a tax return. No maximum age is

	<p>must be under 70 ½ to make a contribution. You may not make a contribution "for the year" an accountholder turns 70 ½ or after to a Traditional IRA. The deadline for previous year contributions would be April 15<sup>th</sup> (or the next business day).</p>	<p>applicable either. You may contribute after age 70 ½ as long as you have earned income and are filing a tax return.</p>
<p><b>Are rollovers and transfers permitted?</b></p>	<p>Yes. You may rollover or transfer to and from other Traditional IRAs. SEPs can be rolled into Traditional IRAs, and SIMPLE plans can be rolled into Traditional IRAs after the two-year participation period has been completed. In regards to transfers, SEPs can be transferred into Traditional IRAs, and SIMPLE plans can be transferred into Traditional IRAS after the two-year participation period has been completed in the SIMPLE. It is not possible to transfer a traditional IRA into a Roth IRA. That would be considered a "conversion."</p>	<p>Yes. You may rollover or transfer to and from other Roth IRAs.</p>
<p><b>What are the withdrawal rules?</b></p>	<p>Funds are available to accountholders at any time. However, if the accountholder is under the age of 59 ½, a 10% premature distribution penalty could be imposed by the IRS on the amount withdrawn. You may also be assessed a penalty by the bank for early withdrawal if the investment is not within maturity.</p>	<p>You may take distributions from a Regular Roth IRA at any time. ROTH distribution rules differ from those of Traditional IRAs in that a withdrawal from a Roth is considered a return of the qualified contributions (principal) first, and then the earnings. A distribution of principal (already-taxed basis) may be taken at any time without being taxed or penalized by the IRS. However, the bank may still impose an early withdrawal penalty. After all of the principal has been withdrawn, the interest may be taxable income. Therefore, it may be penalized if the 5 year period has not been met and/or it is not a qualified distribution.</p>