

Questions and Answers

Am I Eligible To Convert To A Roth IRA?

The \$100,000.00 modified adjusted gross income (MAGI)* limit and the married filing separate tax filing restriction have been eliminated for conversion eligibility.

Note that the income eligibility requirements for a conversion IRA are NOT the same as the requirements for opening a new Roth Contributory IRA.

Will The Amount I Convert Affect My Eligibility To Convert?

No, but the amount you convert is added to your AGI when calculating your taxes. Be aware that the amount you convert would be considered part of your AGI and could push you into a higher tax bracket.

If I Convert A Traditional IRA To A Roth IRA, Do I Owe Any Taxes?

Keep in mind, converting to a Roth IRA requires you to pay taxes on funds moved from your Traditional IRA. If all of your contributions were tax-deductible, you would owe taxes on the entire amount; if you made nondeductible contributions, you would not be taxed on those contributions that were previously taxed. However, the IRS 10% early distribution penalty will not apply to amounts that are converted to a Roth IRA. If you are under 59½ and use your IRA funds to pay the tax, the IRS would view this as a distribution and impose a 10% penalty on top of the income tax resulting from the conversion.

So, unless you can pay this tax from a source outside of your IRA, you could deplete your retirement savings significantly.

What Other Facts Should I Consider Before Converting To A Roth IRA?

First, consider your tax bracket in the year that you convert and what you expect it to be in your retirement. If you project your income to be lower when you start making withdrawals, you would be in a lower tax bracket than you are now. It may be beneficial for you to keep your money in a Traditional IRA.

Second, the more years you have until retirement, the more your money has time to accumulate tax-free earnings and the more conversion makes sense for you. You will also have more time to offset the impact of the taxes you paid at the time of conversion. Because this decision is a complicated one, you should consult a tax professional.

When Can I Withdraw My Conversion Money?

You can withdraw your converted assets at any time. However, if you withdraw any conversion assets and earnings during the five year period beginning with the year of the conversion, the withdrawal will be subject to a 10% penalty that applies to premature distributions (unless a penalty exception applies, the 10% early penalty does not apply if the individual is 59½, deceased, disabled, the funds are for college expenses or first-time home purchase up to \$10,000 and certain medical expenses).

Is There A Deadline For Conversion?

Yes. **December 31st** of the current year is the deadline for conversions in any given year, **NOT April 15th** of the following year (as is the case when funding a Traditional or Contributory Roth IRA). It's best to submit a conversion request by **December 15th** to allow time for the conversion to be processed.

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*Modified adjusted gross income (MAGI) is your gross annual income from all sources (including wages, salaries, tips, taxable interest, dividend income, alimony, capital gains, and other income) less certain adjustments (not including itemized deductions) as reflected at the bottom of page 1 of IRS Form 1040.

This brochure is for general information only and is not intended to provide specific advice or recommendations for any individual. We suggest that you consult your attorney, accountant, financial or tax advisor with regard to your personal situation.



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COMPARE
Roth vs. Traditional

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Traditional IRA vs. Roth IRA Comparison Chart

Feature	Traditional IRA	Roth IRA
Deductibility of Contributions	<p>SINGLE TAXPAYER:</p> <ul style="list-style-type: none"> • Full deduction if you are not an active participant in an employer-sponsored retirement plan, regardless of income. • Full deduction if you are an active participant in an employer-sponsored retirement plan and adjusted gross income (AGI) is less than \$62,000 (2017) & \$63,000 (2018). <i>Deduction is phased out for income between \$62,000 and \$72,000 (2017) & \$63,000 and \$73,000 (2018).</i> <p>MARRIED TAXPAYER:</p> <ul style="list-style-type: none"> • Full deduction if neither person participates in an employer-sponsored retirement plan, regardless of income. • Full deduction if you and your spouse are active participants in an employer-sponsored retirement plan and your joint tax return AGI is less than \$99,000 (2017) & \$101,000 (2018). <i>Deduction is phased out for income between \$99,000 and \$119,000 (2017) & \$101,000 and \$121,000 (2018).</i> • Full deduction for non-active individuals (not a member of an employer-sponsored retirement plan) married to an active participant (a member of an employer-sponsored retirement plan) and your joint tax return AGI is less than \$186,000 for 2017 & is less than \$189,000 for 2018. <i>Deduction is phased out for income between \$186,000 and \$196,000 for 2017 & between \$189,000 and \$199,000 for 2018.</i> 	<ul style="list-style-type: none"> • Contributions are not tax-deductible and must be made with after-tax dollars.
Eligibility	<ul style="list-style-type: none"> • Anyone under the age of 70½ with earned income can contribute. 	<ul style="list-style-type: none"> • There are no age restrictions; however, there are income requirements and limits.
Income Limits For Participation	<ul style="list-style-type: none"> • No limit for participation. 	<ul style="list-style-type: none"> • Year 2017 - Couples with AGI of up to \$186,000 & singles up to \$118,000. Contributions are phased out for couples between \$186,000 and \$196,000 & \$118,000 and \$133,000 for singles. • Year 2018 - Couples with AGI of up to \$189,000 & singles up to \$120,000. Contributions are phased out for couples between \$189,000 and \$199,000 & \$120,000 and \$135,000 for singles.
Contribution Limits	<ul style="list-style-type: none"> • Year 2017 – \$5,500; Age 50 or over = \$6,500 • Year 2018 – \$5,500; Age 50 or over = \$6,500 	<ul style="list-style-type: none"> • Year 2017 – \$5,500; Age 50 or over = \$6,500 • Year 2018 – \$5,500; Age 50 or over = \$6,500
Taxability of Earnings	<ul style="list-style-type: none"> • Earnings are tax-deferred. (See taxability of withdrawals.) 	<ul style="list-style-type: none"> • Earnings may be tax-free. (See taxability of withdrawals.)
Age Limit For Contributions	<ul style="list-style-type: none"> • Contributions may not be made for or after the year in which you reach age 70½. 	<ul style="list-style-type: none"> • No age limit for contributions.
Mandatory Distributions	<ul style="list-style-type: none"> • Distribution is required at age 70½. 	<ul style="list-style-type: none"> • No required minimum distribution at any age.
Taxability of Withdrawals	<ul style="list-style-type: none"> • Earnings and any deductible contributions are taxable. • Earnings are taxable and contributions are tax-free for nondeductible contributions. • When withdrawing a combination of both deductible and nondeductible contributions, that portion that was nondeductible is tax-free. 	<ul style="list-style-type: none"> • Tax-free withdrawals of your contributions are permitted at any time. Tax-free withdrawals of earnings are permitted after age 59½ or in the event of death or total disability, or as a qualified first-time home buyer (up to \$10,000). Earnings must have remained in the account for a period of five successive tax years to be tax-free.
Penalty For Early Withdrawal	<ul style="list-style-type: none"> • Penalty for withdrawing all or any part of the account before age 59½ unless exception applies. The 10% early penalty does not apply if the individual is deceased, disabled, for college expenses, first-time home purchase up to \$10,000 and certain medical expenses. 	<ul style="list-style-type: none"> • Penalty-free withdrawal of your contributions are permitted at any time. Earnings are subject to a 10% penalty prior to age 59½ unless exception applies. The 10% early penalty does not apply if the individual is deceased, disabled, for college expenses, first-time home purchase (\$10,000 lifetime limit), qualified military reservists, if taking equal period payments over his/her life expectancy for at least five years and certain medical expenses.