

## What Is The Deadline For Contributing To A Roth IRA?

You can open or make contributions to your Roth IRA any time up to and including the due date of your tax return for the previous tax year, normally April 15th.

## Can I Convert A Traditional IRA To A Roth IRA?

A Traditional IRA may be converted to a Roth IRA using special rules.

Guidelines for a conversion are as follows:

- You must take a distribution from your traditional IRA and complete the rollover within 60 days.
- The IRS will treat as income any sums that would have been taxable. Make sure to get all the facts to see if it will be fiscally worth it to convert.
- A separate Roth IRA should be used for the converted IRA amounts. These amounts must be accounted for a period of five years following the rollover.

**Important:** You will have to pay tax on the transferred amount. Your tax advisor can help explain how to calculate it.

## Is There A Deadline For Conversion?

Yes. December 31 of the current year is the deadline for conversion in any given year, NOT April 15 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 15 to allow time for the conversion to be processed.

## What About Taxes?

When an individual converts assets from a Traditional IRA to a Roth IRA, you have to pay income tax on all pretax contributions and earnings included in the amount you convert.



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# ROTH

## Individual Retirement Account

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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# Questions and Answers

## What Is A Roth IRA?

A Roth IRA is a special savings plan authorized by the Federal government to help you accumulate funds for your retirement. Contributions are **nondeductible** but all withdrawals, including earnings, are tax-free if the account has been open for five years and the account holder is 59½ or older.

## Who Is Eligible To Contribute To A Roth IRA?

Every individual who has earned income or received alimony may contribute. Income from other sources such as investments or inheritances does not qualify.

In 2017, couples with a modified adjusted gross income of up to \$186,000 and singles up to \$118,000 are eligible to contribute to a Roth IRA. Contributions are phased out for couples between \$186,000 and \$196,000 and \$118,000 and \$133,000 for singles.

In 2018, couples with a modified adjusted gross income of up to \$189,000 and singles up to \$120,000 are eligible to contribute to a Roth IRA. Contributions are phased out for couples between \$189,000 and \$199,000 and \$120,000 and \$135,000 for singles.

## I Am An Active Participant In An Employer-Sponsored Retirement Plan, May I Contribute To A Roth IRA?

The fact that you participate in an employer-sponsored retirement plan does not exclude you from making a nondeductible contribution to a Roth IRA.

## Are Interest & Dividend Earnings Tax-Deferred?

All the earnings you accumulate in your IRA remain tax sheltered and if they remain in the account for a period of five successive tax years they can be withdrawn tax-free. There are certain criteria that must be met to enjoy tax-free and penalty-free distributions.

## Must I Contribute The Full Amount Each Year?

No. You can contribute any amount your budget allows, either in one or more contributions. In fact, if you choose, you need not make any contributions in a given year.

## When Can I Make Withdrawals?

Penalty-free and tax-free withdrawals of your contributions are permitted at any time (until total distributions from all Roth IRAs exceed the contribution amount – no distribution is subject to either taxation or penalty). Tax-free withdrawals of earnings are permitted after age 59½, in the event of death or total disability, or as a qualified first-time home buyer (up to \$10,000). In order to be tax-free they must have remained in the account for a period of five successive tax years. There is no mandatory age requirement for distributions and funds may remain in the account during the account owner's lifetime.

## Is There A Penalty For Early Withdrawals?

There could be a 10% penalty for withdrawing all or any part of the earnings. Taxable distributions are not subject to the 10% early withdrawal penalty if the individual is 59½ deceased, disabled, or if taking equal period payments over his/her life expectancy for at least five years or until age 59½, whichever comes later, or for college expenses, first-time home purchase (\$10,000 lifetime limit), medical expenses in excess of 10% of Adjusted Gross Income, and certain other uses.

## When Are Taxes Paid On Roth IRAs?

Taxes are never paid on the original contributions which are not tax deductible in the year of your contribution. Taxes must be paid on all withdrawal of earnings which have not remained for a period of five successive tax years.

## Can Funds Be Rolled Over From One Roth IRA To Another Roth IRA?

Beginning January 1, 2015, you can make only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs you own. You can, however, continue to make as many trustee-to-trustee transfers between IRAs as you want. You can also make as many rollovers from traditional IRAs to Roth IRAs ("conversions") as you want.

## If I Contribute To A Roth IRA, Will It Affect The Amount That I Can Contribute To My Employer-Sponsored Retirement Plan?

No. The amount you contribute to your employer-sponsored plan will not be affected by your Roth IRA contribution.

## Can My Roth IRA Be Inherited?

Yes. When you die, the entire proceeds can be passed on tax-free to your beneficiaries, providing your Roth IRA meets the five-year test.

## How Much Can I Contribute To A Roth IRA?

\$5,500 (2017 & 2018)

You can contribute all or part of compensation, up to:

- Individual Taxpayer – \$5,500 (2017 & 2018)
- Married Taxpayer – \$11,000 where both spouses have earned income (each spouse can contribute up to \$5,500 each) for 2017 & 2018.
- Spousal IRA – For 2017 & 2018, \$11,000 for married taxpayers filing jointly where one spouse has little or no income. (Yearly contributions may be divided between the accounts, provided the total contribution does not exceed \$11,000 and neither account is allocated more than \$5,500).

Total yearly contribution that can be made by an individual to all IRAs, traditional (deductible, nondeductible) and Roth IRAs, is \$5,500 (2017 & 2018) not counting rollover contributions.

## “CATCH-UP” CONTRIBUTIONS FOR PEOPLE 50 AND OLDER

To make up for lost time, workers 50 and older before the end of the taxable year can make additional contributions above the new maximum limits as follows:

- \$1,000 a year (2017 & 2018)