

Retirement

Individual Retirement Accounts (IRAs)

Individual Retirement Accounts (IRAs) are personal savings accounts that working people and their spouses can establish for the purpose of saving and investing for retirement. IRAs may also give you significant tax advantages, enabling your savings to potentially grow at a faster rate than it would in a comparable taxable account.

Traditional IRAs

- If you have earned income and are under age 70 ½, you can make a contribution to a traditional IRA - and your contribution may be fully deductible
- If you and your spouse are not covered by a retirement plan at work, your traditional IRA contribution is deductible
- If you have an employer sponsored plan, your ability to deduct your IRA contribution will depend on your income level
- Assets in the IRA grow tax-deferred
- Both deductible contributions and earnings on all contributions are taxed as ordinary income when they are withdrawn from the account
- Required minimum distributions must start once you have reached age 70 ½

Withdrawals prior to age 59 ½ may incur a 10% IRS tax penalty.

Rollover IRAs

When you retire or change jobs, you have many decisions to make, one of the most important being what to do with the assets you have accumulated in your company's pension and 401(k) plans. Many investors find that rolling over their retirement assets directly to an IRA is the smart choice.

A direct rollover allows you to roll over eligible distributions from your company's pension directly into an IRA. By directly rolling over your funds, you avoid current taxes and potential penalties while your savings continue to grow tax-deferred. You also avoid the mandatory 20% federal income tax withholding on distributions from qualified plans, and having to pay taxes on that amount if you don't have another source of funds to complete a full rollover. If you are under 50 ½, a penalty could also apply to the amount not rolled over.

Roth IRAs

Roth IRAs are open to individuals with earned income, even if they are over age 70 ½. However, you must have an Adjusted Gross Income (AGI) below the threshold in order to be eligible to make the contributions. Eligibility to make a Roth contribution phases

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out for individuals with an AGI between \$95,000 and \$110,000, and for married couples filing jointly with an AGI between \$150,000 and \$160,000.

Contributions made to a Roth IRA are never tax deductible, but qualified distributions from the Roth IRA—including distributions of never-taxed earnings may be completely tax free! Plus, there are no required distributions during the account owner's lifetime.

Restrictions apply. Please consult your tax adviser for your specific situations.

Trust Company IRAs

Trust Company IRAs can provide unique services and functions to IRA owners with sophisticated estate plans. Trust companies provide a higher level of personalized service and oversight than is possible with custodial IRAs offered by banks and brokerage firms. You may wish to consider a Trust Company IRA if your estate plan includes any of the following strategies:

- The use of trusts as primary or contingent beneficiaries
- Second spouse with children from a first marriage
- A spouse beneficiary who is not a United States citizen or is not a resident
- Managing assets for the benefit of a special-needs person
- Charitable trust dispositions