

The Roth IRA — Is It the Right Plan for You?

In case you haven't heard, investing in a Roth IRA plan offers you a unique saving advantage. Instead of delaying federal income taxes until earnings and tax-deductible contributions are distributed, a Roth IRA makes future IRA growth tax-free if all requirements are met.

Unlike a traditional Individual Retirement Account, Roth IRA contributions are not tax deductible. For 2014, an individual may contribute up to \$5,500 to a Roth IRA (\$6,500 if age 50 or over), but eligibility to contribute phases out between \$181,000 and \$191,000 adjusted gross income (AGI) for joint filers and between \$114,000 and \$129,000 for unmarried filers.

Tax Advantages

A main attraction of the Roth IRA is that distributions of your contributions to the account are tax-free. A distribution of account earnings that occurs more than five tax years after the tax year of your first Roth IRA contribution will be tax (and penalty) free if paid: (1) when you are age 59 1/2 or older, (2) after you become disabled or die, or (3) if you use the money for qualifying first-home buying expenses (\$10,000 lifetime cap).

A regular IRA's required distributions after age 70½ don't apply to a Roth IRA. You never have to start taking minimum withdrawals. And when your heirs take distributions, the funds will still be tax-free.

There is no age limit for making contributions to a Roth IRA. You can make annual, nondeductible contributions at any age, as long as you earn compensation.

Tax Due on Conversion

The opportunity for tax-free growth may lead you to consider converting your existing regular IRA to a Roth IRA. Tax law lets you roll over any regular IRA amount to a Roth IRA. If you

convert, you will have to pay the income taxes your regular IRA has deferred, although the 10% penalty for early distribution does not apply.

If you are thinking about converting a regular IRA to a Roth IRA, consider whether paying tax now will benefit you later when you withdraw funds from the Roth IRA. Your answer will depend on your individual situation.