

Retirement Planning



MCKAY WEALTH MANAGEMENT

IRAs: Traditional and Roth

If you're looking for ways to save for retirement on your own, or if you'd like to add to the benefits of your employer's plan, individual retirement plans, or IRAs, are the best place to start.

IRA's were established by Congress as a way to help individuals save for retirement on their own. Until a few years ago, there was just one type of IRA. Today, there are two: the traditional IRA and the Roth. Each one functions a little differently and includes different benefits, so read on...and find out which one might better fit your situation.

Traditional IRA

The traditional IRA lets you put a certain amount of money into the account each year. Some or all of the money you put into that account may be deductible on your income taxes for that year. As long as your money is in the account, it accumulates income tax deferred, and then when you want to take your money out at retirement, you pay taxes on it at that time.

Roth IRA

The most notable difference between a traditional and Roth IRA is that none of your contributions to the

Roth IRA are income tax deductible, however, when you make withdrawals from your Roth IRA at retirement...you don't have to pay any income taxes.

Unfortunately, not everyone is allowed to open a Roth IRA. Your adjusted gross income (AGI) must be less than \$95,000. Your Roth IRA contribution amount is phased out between \$95,000 and \$110,000. (limits are higher if you're married)

Best of all, Roth IRA investments grow completely income tax free after the account has been open for five years.

Points of Interest

- TRADITIONAL VS ROTH IRAS
- TAKING DISTRIBUTIONS
- IRA ELIGIBILITY
- ROLLOVERS

When it's time to spend the money

Traditional IRA

After 59 ½ you can take your money out of your IRA at any time, however, you will have to pay income taxes when you make your withdrawals. You can leave your IRA alone until you reach age 70 1/2, which is

when the IRS will require that you take a minimum amount out each year. (This is so you don't use your IRA as a permanent tax shelter until you die.) The minimum amount that you must withdraw is based on your life expectancy. It is

known as your "Required Minimum Distribution."

Roth IRA

The same early withdrawal penalties apply if you're under 59 ½. The contributions have to be in the IRA

for five years in order for the withdrawals to be tax-free. You don't have to make mandatory withdrawals at 70 ½. You can let the money accumulate for as long as you like.



Retirement Planning

YOU KNOW
WHAT YOU
NEED TO
SAVE TO
RETIRE, BUT
WHAT ARE
YOUR BEST
OPTIONS?

Eligibility for IRAs

- You have to be under age 70 ½ and have received compensation from employment.
- If your employer provides a retirement plan for your benefit, whether or not you participate in that plan, you may contribute up to \$4000* to your IRA.
- Not all of that \$4,000 contribution may be tax-deductible. If your employer does NOT have a pension plan, you can deduct the full \$4,000. If your employer does provide a pension plan, the amount of your IRA contribution that is income tax deductible is phased out if your income is between \$50,000 to \$60,000 for individuals and \$70,000 to \$80,000 for people filing jointly. Incomes above those amounts may make the contribution to the IRA, but they may not be deducted from your income taxes.
- If you're married, both you and your spouse can contribute to an IRA. Even if your spouse doesn't work, he or she can open a "spousal" IRA with a \$250 limit.
- You can invest your IRA dollars in a wide range of investments, and the earnings on your IRA grow income tax-deferred.
- You should not plan on spending your IRA money until you retire. If you withdraw money before 59 ½, you have to pay regular income taxes on your withdrawal and you are subject to an additional 10% penalty tax. There are some exceptions to this rule.

Rollovers

The term "rollover" with regard to your IRA or employer-sponsored retirement plan is typically used for two different actions. One is taking money from an IRA account and then moving it to another IRA account. The other is moving money from an employer-sponsored retirement plan to an IRA ac-

count, or into a new employer's plan.

If you want to roll over an IRA into a new IRA, either traditional or Roth, you need to request a check from the current custodian or institution that handles your IRA. That check will be made out to you personally. You are then free to do

what you want with that money. If you reinvest the amount you received into another IRA account within 60 days of when you received the check, you will not be subject to income taxes or the 10% tax penalty if you are under age 59½.

Rollovers continued

In many cases you may wish to "transfer" your money directly from one IRA custodian to another, without taking the "cash in hand" yourself. By doing a "transfer IRA" you avoid the risk of a 10% income tax penalty and you don't have

to worry about the 60-day requirement. If you are transferring money from an employer-sponsored plan it is called a direct rollover. If you decide to rollover your employer-sponsored retirement plan, we can assist you with that transition.

Contact Us

We can assist you in opening the IRA that is right for you and help you select investments appropriate to your unique situation. If you have recently changed jobs or retired, or plan on doing so, please contact to discuss your rollover options.

ROLLING
OVER AN
EMPLOYER-
SPONSORED
PLAN
ENABLES
GREATER
CONTROL AND
FLEXIBITLY

Securities and Investment Advisory Services offered through:
ING Financial Partners, Inc. Member SIPC

McKay Wealth Management is not a subsidiary of nor controlled by ING Financial Partners
6000 Southcenter Blvd Suite 70 Tukwila, WA 98188