



COMPARISON OF TRADITIONAL IRA AND ROTH IRA

	TRADITIONAL IRA	ROTH IRA	CONSIDERATIONS
Maximum Annual Contribution	For 2023, \$6,500 (\$7,500 if you reach age 50 or older during the year).	For 2022, \$6,500 (\$7,500 if you reach age 50 or older during the year).	These limits apply to your aggregate contributions to both types of IRAs.
Is the Contribution Limit Reduced Based on My Income?	No.	Yes. The ability to contribute to a Roth IRA phases out (is reduced) for higher income earners. For 2023, you are not eligible to contribute to a Roth IRA if your modified adjusted gross income equals or exceeds \$153,000 (filing single) or \$228,000 (married filing jointly).	A Roth IRA is not directly available if you are a higher income earner. However, you can establish a Traditional IRA and then convert the IRA to a Roth IRA.
Are My Contributions Tax Deductible?	Yes. However, if you or your spouse are covered by an employer retirement plan (such as the Pension Plan or TDRA), the amount you may deduct phases out (is reduced) based on your modified adjusted gross income and tax filing status. For 2023, if you are covered by an employer retirement plan, you may not deduct your Traditional IRA contributions if your modified adjusted gross income equals or exceeds \$83,000 (filing single) or \$136,000 (married filing jointly).	No. Your contributions to the Roth IRA are made with after-tax amounts which are not deductible.	If you are ineligible to make deductible contributions to a traditional IRA, a Roth IRA may offer a greater benefit because it provides <u>tax-free</u> growth (as compared to <u>tax-deferred</u> growth under a traditional IRA).
By When Must I Make Contributions?	Contributions are due by the tax filing deadline for the year, without extensions (usually April 15).	Contributions are due by the tax filing deadline for the year, without extensions (usually April 15).	You can establish an IRA for a year at any time during the year through April 15 of the following year.
What Funds Can I Rollover Into My IRA?	<ul style="list-style-type: none"> Traditional IRA 403(b) account, excluding Roth 401(k) account, excluding Roth 457(b) account, excluding Roth (governmental only) 	<ul style="list-style-type: none"> Traditional or Roth IRA 403(b) account 401(k) account 457(b) account (governmental only) 	A rollover from a pre-tax account to a Roth IRA is a "conversion" that is taxable to you.
How Are My IRA Distributions Taxed?	Deductible contributions and earnings are included in your taxable income upon distribution. Nondeductible contributions are not taxed at distribution. A 10% early distribution tax may apply if you take a distribution before age 59½ unless an exception applies.	Contributions are not included in your taxable income upon distribution. Earnings on your contributions are not included in your taxable income if the distribution is qualified. A 10% early distribution tax may apply to earnings if you take a distribution before age 59½ unless an exception applies.	If you anticipate that you may need to take an early distribution, you will have less tax exposure if the premature distribution comes from a Roth IRA because only the earnings are subject to tax (including the 10% early distribution tax).

	TRADITIONAL IRA	ROTH IRA	CONSIDERATIONS
Is There an Age Limitation for Making Contributions?	No. Contributions may be made at any age so long as you have taxable compensation.	No. Contributions may be made at any age so long as you have taxable compensation.	You may contribute to a traditional or Roth IRA even after you are required to begin taking distributions from a traditional IRA.
When Do I Have to Begin Taking Distributions?	By April 1 of the calendar year following the year in which you reach age 73 (if you turn 72 in 2023 or later).	You do not have to begin taking distributions during your lifetime if you are the original owner of the Roth IRA.	A Roth IRA can be useful in estate planning because the entire account can be preserved for beneficiaries.

WHY OPEN A TRADITIONAL IRA?	WHY OPEN A ROTH IRA?
<ul style="list-style-type: none"> You are eligible to make deductible contributions to a traditional IRA, which will reduce your current income tax liability. You intend to designate a large portion of your retirement income as housing allowance, which will lower your taxable income and place you in a very low tax bracket in retirement. Consequently, your tax rate during retirement is expected to be low. You want to manage your current income tax rate. You can reduce or eliminate your income that is subject to the highest tax rate applicable to you by making deductible contributions to a traditional IRA. Your income exceeds the limits for a Roth IRA. Although you may not be eligible to make deductible contributions to a traditional IRA based on your income and retirement coverage, your contributions to a traditional IRA will be tax-deferred until distributed. Under current law, you also have the opportunity to "convert" a traditional IRA to a Roth IRA by paying the tax on the deductible portion and earnings in the year of conversion, regardless of your income level. 	<ul style="list-style-type: none"> You are not eligible to make deductible contributions to a traditional IRA, but you are still within the income limits to make a <u>full</u> contribution to a Roth IRA. This income window begins when the ability to deduct traditional IRA contributions is completely phased out, and ends at the income threshold for making a full Roth IRA contribution. The 2023 income ranges for this scenario are \$83,000 – \$138,000 for individuals filing single and \$136,000 – \$218,000 for married individuals filing jointly, <i>assuming you are covered by an employer retirement plan.</i> You are designating a large portion of your current income as housing allowance, which lowers your taxable income and places you in a very low tax bracket. Consequently, your tax rate during retirement is not expected to be lower than your current tax rate, but it could be higher. You are young and have low wages. Your contributions will accumulate tax free earnings over your working life, and your current tax bracket is relatively low. You want to use an IRA to accumulate wealth to leave to your heirs. You are not required to take any distributions from a Roth IRA during your lifetime, and your beneficiaries will not pay tax on distributions made from the IRA after your death.