

- *How does a Traditional IRA differ from a Roth IRA?*
- *Which one is right for you?*

**A Traditional IRA may make sense if you:**

- are eligible for a Traditional IRA deduction,
- are not eligible to contribute to a Roth IRA
- anticipate a higher tax rate while saving
- anticipate a lower tax rate during retirement
- are interested in taking required minimum distribution (RMD) amounts during retirement
- are not concerned about tax savings for beneficiaries.

**A Roth IRA may be more fitting if you:**

- are not eligible for a Traditional IRA deduction
- anticipate a lower tax rate while saving
- anticipate a higher tax rate during retirement
- want to avoid RMDs
- are concerned about tax savings for beneficiaries
- are not eligible to contribute to a Traditional IRA because of the age limit

*This information is not intended to provide tax advice. See a competent tax advisor to help you determine which type of IRA best suits your needs.*

*Get in touch*

For more information, talk to us! We'll be glad to provide you with more information on Roth and Traditional IRAs.

Washington Branch  
989.893.2831

Euclid Branch  
989.684.4200

Birch Run Branch  
989.624.9344



**GREAT LAKES**  
FEDERAL CREDIT UNION

# Traditional IRA vs. Roth IRA

*Exploring Your Options*



# Roth IRA

# Traditional IRA

## Can I contribute?

You are eligible to contribute if you earn compensation or file a joint tax return with a spouse who earns compensation, and your modified adjusted gross income (MAGI) is less than or within the defined limits. See the MAGI chart below.

You are eligible to contribute if you earn compensation or file a joint tax return with a spouse who earns compensation and you are under age 70½.

## Can I take an income tax deduction for my contribution?

No. Roth IRA contributions are not tax-deductible.

Whether your Traditional IRA contribution is deductible on your federal income tax return depends on your marital and tax-filing status, your MAGI, and whether you or your spouse actively participates in an employer-sponsored retirement plan. If neither you nor your spouse is an active participant, you are eligible to deduct your full contribution. Otherwise, see the MAGI chart below.

## What are the MAGI\* limits?

\*MAGI is your adjusted gross income before certain deductions or adjustments to are income are made. MAGI limits are subject to annual cost-of-living adjustments (COLAs).

| Tax-Filing Status |      | Full Contribution | Partial Contribution   | No Contribution Allowed |
|-------------------|------|-------------------|------------------------|-------------------------|
| Single            | 2021 | \$125,000 or less | \$125,000 to \$140,000 | \$140,000 or more       |
|                   | 2021 | \$198,000 or less | \$198,000 to \$208,000 | \$208,000 or more       |

| Tax-Filing Status       | Active Participant |      | Full Deduction    | Partial Deduction      | No Deduction      |
|-------------------------|--------------------|------|-------------------|------------------------|-------------------|
|                         | Yes                | No   |                   |                        |                   |
| Single                  | Yes                | 2021 | \$66,000 or less  | \$66,000 to \$76,000   | \$76,000 or more  |
| Married, Filing Jointly | Yes                | 2021 | \$105,000 or less | \$105,000 to \$125,000 | \$125,000 or more |
| Married, Filing Jointly | No, but spouse is  | 2021 | \$195,000 or less | \$195,000 to \$205,000 | \$205,000 or more |

## How much can I contribute each year?\*

\*These contribution limits are subject to annual COLAs (cost-of-living-adjustments).

Depending on your MAGI, you may be able to contribute up to \$6,000 for 2021, or if you are age 50 and older, up to \$7,000 for 2021. Regular contributions cannot exceed your annual compensation.

You can contribute up to \$6,000 for 2021, or if you are age 50 and older, up to \$7,000 for 2021. Contributions cannot exceed your annual compensation.

## What are the benefits?

\*A Roth IRA qualified distribution occurs when money is withdrawn from your Roth IRA after you have owned a Roth IRA for at least five years, and you are age 59½ or older, disabled, a first-time homebuyer, or deceased.

- Because all Roth IRA contributions must be included in your taxable income, and therefore are not tax-deductible, you can withdraw your contributions at any time, tax and penalty-free.
- Any earnings generated within the IRA are tax-deferred (you do not pay tax on the earnings until you withdraw them).
- If you satisfy the qualified distribution\* requirements, you can withdraw the earnings tax-free.
- You are never required to take money out of your Roth IRA, no matter what your age.

- Any earnings generated within the IRA are tax-deferred (you do not pay tax on the earnings until you withdraw them).
- If your Traditional IRA contributions are tax-deductible and therefore tax-deferred, you do not pay taxes on them until you withdraw the money.
- Any after-tax amounts (nondeductible contributions) within your IRA can be withdrawn tax and penalty-free.

## Will I ever be required to withdraw the money?

No. Roth IRA owners are never required to take distributions. After your death, however, your beneficiaries may be subject to required distributions.

Yes, Traditional IRA owners are required to take annual minimum distributions beginning for the year they turn age 70½. Your beneficiaries also will be subject to required distributions.

*NOTE: You may be subject to a 10 percent early distribution penalty tax on any taxable amount taken from either a Traditional or Roth IRA before you reach age 59½ unless you qualify for one of these penalty exceptions: disability, certain health insurance costs, certain medical expenses, higher education expenses, first-time homebuyer expenses, substantially equal periodic payments, IRS tax levy, qualified military reservist distributions, or death (beneficiary distributions)*