

**Is a Roth IRA Right For You?**





## Is a Roth IRA right for you?

A Roth IRA is an individual retirement arrangement named for the Senate Finance Committee Chairman, William Roth, Jr. Unlike Traditional IRAs, contributions to a Roth IRA are not tax-deductible, but the advantage is that these assets can be withdrawn tax free at any time. Under certain circumstances, the earnings may be withdrawn tax free too.

### Getting Started

You are eligible to contribute to a Roth IRA if:

- You (or your spouse) earn compensation from employment, AND
- Your income is less than or within the applicable IRS limits.

### Check Your Income

Next you'll need to check your Modified Adjusted Gross Income (MAGI)—if it falls within the limits, you may contribute a portion of the annual contribution limit. If it is higher than the limits, you are not allowed to contribute to a Roth IRA for that year. Your MAGI limit is based on your federal tax filing status and may change from year to year. It's a good idea to seek competent tax advice when determining your eligibility.

### Contribution Limits

The annual contribution limit is the lesser of:

- \$5,500 for 2015 and 2016 (\$6,500 if you are age 50 or older), OR
- Your taxable compensation for the year if your compensation was less than this dollar amount.

### Building Your Roth IRA

Making contributions isn't the only

way to get your money in a Roth IRA. Eligible assets from qualified retirement plans, 403(b) plans, and governmental 457(b) plans can be rolled over to Roth IRAs. Traditional IRA and savings incentive match plan for employees of small employers (SIMPLE) IRA assets also can be moved to Roth IRAs; this is called a conversion. Keep in mind you will generally pay taxes on these types of transactions. A transfer or rollover between two Roth IRAs is always tax-free and can be done regardless of your income.

### Accessing Your Money, Tax Free

Unlike most retirement plans, Roth IRAs allow you to easily access your funds. You can withdraw regular Roth IRA contributions tax free at any time, but unlike Traditional IRAs, you are never required to take disbursements. Distributions are treated as first being your regular contributions. Next to come out are conversion or rollover amounts, which may be subject to penalty tax if they've been in the account for less than five years. Finally, earnings are the last to come out. Please note that earnings may be subject to tax and penalty if taken out too early.

You must meet two requirements to qualify for tax- and penalty-free withdrawals of earnings from your



Roth IRA. First, five years must have passed since the first year for which you made Roth contributions. Second, you must be either:

- Age 59 1/2 or older
- Disabled
- Using the money as a first-time homebuyer
- Deceased

If you don't meet these requirements, a 10% early distribution penalty tax may apply to the taxable distribution amount.

### Roth IRAs as Bequests

You may designate one or more beneficiaries to receive the assets in your IRA after your death. All beneficiaries have the option of taking a lump-sum distribution. Your beneficiaries also may be allowed to receive payments from the Roth IRA over a number of years. If your spouse

is your beneficiary, he or she may move your Roth IRA to his or her own Roth IRA tax free. Any tax-deferred money in your Roth IRA at the time of your death will be taxable to your beneficiary upon distribution, unless five years have passed since the first year you contributed to a Roth IRA, in which case, all distributions to your beneficiaries will be tax-free.

### Roth IRA Basics

- Contributions are not tax deductible
- Earnings grow tax deferred
- Distributions are tax free (if qualified)
- No required minimum distributions (until death)
- Accessibility to IRA assets
- Control of contributions and investments

Tax-Filing Status	Full Contribution	Partial Contribution	No Contribution Allowed
Single 2016	Less than \$117,000	\$117,000-\$132,000	\$132,000 or more
Single 2015	Less than \$116,000	\$116,000-\$131,000	\$131,000 or more
Married filing jointly 2016	Less than \$184,000	\$184,000-\$194,000	\$194,000 or more
Married filing jointly 2015	Less than \$183,000	\$183,000-\$193,000	\$193,000 or more

## Let's talk about retirement.

At GFCU, we're here to help with IRAs and establishing a savings strategy. Let us know how we can help.

**Speak to someone from Generations at any one of our branches, or call us at 210.229.1128. You can also visit [MyGenFCU.org](http://MyGenFCU.org) for more information.**

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