

Roth IRA vs Traditional IRA

KEY TAX BENEFITS

Contributions are made with after-tax money and any earnings grow tax-free.

Best for an individual who will be in a higher tax bracket when taking withdrawals.



Contributions are generally pre-tax contributions. Any earnings grow tax-deferred.

Best for an individual who will be in a lower or the same tax bracket when taking withdrawals.

INCOME REQUIREMENTS

There are specific IRS income limits for contributions to a Roth IRA. For example, in 2021, the upper limits are:

- \$125,000 for single
- \$198,000 for married filing jointly



Anyone 18 or over with earned income can contribute to a traditional IRA. However, there are specific income limits for how much might be tax-deductible.

WITHDRAWALS

Federally tax-free and penalty-free after 5 years from your first contribution and over 59 ½



Penalty free but taxed as current income after 59 1/2

*one of the following criteria must be met in order to make penalty-free withdrawals from either IRA: age 59½, qualified higher education expenses, qualified first home purchases (up to \$10,000), certain major medical expenses, certain long-term unemployment expenses, death, disability.

EARLY-WITHDRAWAL PENALTIES

If you make withdrawals before you are 59½, you might have to pay taxes on your earnings, plus an additional 10% tax.



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REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

None



After Age 72 must take RMD