

## What Are the Features of a Roth IRA?

- An individual retirement account that allows you to exclude earnings from income tax.
- Contributions are not tax deductible, but if certain rules are followed, earnings are never included in income.
- No minimum distribution requirements for original account owner and spouse.
- Savings can be distributed as needed after the account is held five years and age 59½ is attained, or passed on tax-free to beneficiaries at death.

## Who Can Make Contributions?

- An individual who has earned income and a modified adjusted gross income (MAGI) that is less than certain limits. (For most taxpayers, MAGI is the same as adjusted gross income.)
- If an individual is also contributing to a retirement plan with an employer, contributions to a Roth IRA are allowed.
- Rules for spousal contributions are the same as for traditional IRAs.
- After age 70½ there are no contribution restrictions, provided there is earned income.

## How Much Can Be Contributed to a Roth IRA?

The same rules apply as for a traditional IRA; however, combined contributions to a Roth and a traditional IRA cannot exceed \$5,000. If you are age 50 or older, you can contribute an additional \$1,000.

## 2011 Roth IRA Contribution Limits:

MAGI	Filing Status	Contribution
\$107,000 or less	S, HH, QW	Full
\$107,000 – \$122,000	S, HH, QW	Partial
More than \$122,000	S, HH, QW	None
\$169,000 or less	MFJ	Full
\$169,000 – \$179,000	MFJ	Partial
More than \$179,000	MFJ	None
Zero – \$10,000	MFS	Partial
More than \$10,000	MFS	None

## What Contributions Are Deductible?

Contributions are not deductible, but earnings accumulate tax-free in the account.

## Is There a Time Deadline for Establishing a Roth IRA and Making Contributions?

Like the traditional IRA, the Roth IRA must be established and funded by the tax return filing deadline for the year in which the plan is to become active (not including extensions). For calendar-year taxpayers, this is generally April 15.

## What if I Want to Convert My Traditional IRA to a Roth IRA?

You may be able to convert some or all of your traditional IRA into a Roth IRA if your modified adjusted gross income (MAGI) is less than \$100,000 before the conversion. For most taxpayers, MAGI is their adjusted gross income. For tax years after 2009, the MAGI limitation no longer applies.

## When Can Distributions Be Taken?

Distributions are taxed differently at different times, but may be taken any time, as desired. Required minimum distributions do not apply to a Roth IRA.

## Ordering Rule for Distributions.

There is an ordering rule for Roth IRA distributions:

- Distributions are treated as made from regular contributions first. These amounts are always returned tax-free and penalty-free regardless of when distributions are made.
- Second, distributions are treated as made from conversion amounts.
- Last, distributions are treated as made from earnings.

## When Can Distributions Be Both Tax and Penalty Free?

Distributions made from regular contributions are always available to you tax-free and penalty-free.

Distributions made from converted amounts are always tax-free (you paid tax on the amount when you converted it). Please contact your tax advisor for more information about penalties on converted amounts.

After a five-year period, beginning the first year a contribution was made, tax-free and penalty-free distributions of earnings can be made for the following reasons:

- You have reached age 59½.

- For first-time home buyers.
- After becoming disabled.
- Upon death.

### When Can a Taxable Distribution Be Penalty Free?

Distributions are penalty-free when they are taken before the taxpayer reaches 59½ and before the five-year period under the following circumstances:

- Distributions after you become disabled or die.
- When taking up to a \$10,000 distribution for a first-time home buyer.
- When taking substantially equal periodic payments based on your life expectancy.
- When paying medical expenses in excess of 7.5% of your adjusted gross income.
- When paying health insurance premiums for eligible unemployed individuals.
- When paying education expenses.
- When the IRS levies the account.
- Distributions made to reservists or National Guard members during active duty if called to active duty for a period exceeding 179 days after September 11, 2001.

### Distributions After Death.

If an individual dies and their spouse is the beneficiary, the spouse will be considered the account owner. All other beneficiaries are required to take distributions from inherited Roth IRAs over their life expectancies or distribute the entire balance within five years.

### Can I Roll Over Contributions?

Please contact your tax advisor for more information regarding rollovers.

This brochure contains general tax information for taxpayers. As each tax situation may be different, do not rely upon this information as your sole source of authority. Please seek professional advice for all tax situations.

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# Roth IRA

## An Alternative to the Traditional IRA

