



# Choose the IRA That is Right for You

## Compare Features and Benefits of IRA Alternatives

Individual Retirement Accounts (IRAs) are an essential part of a retirement savings strategy. IRAs offer tax advantages that other types of investment accounts do not.

There are different types of IRAs with different features and benefits. Choosing the IRA that is right for you can depend on the type of tax benefits you are looking for and the investment services you are interested in.

The chart below highlights some of the key features and benefits available to you to help you choose the type of IRA that meets your needs.

Features and Benefits	Traditional IRA	Roth IRA	Rollover IRA
<b>General Guidelines for Use</b>	<p>Tax-advantaged savings account used to provide retirement income, although account balances can be withdrawn at any time.</p> <p>Contributions require earned income and may be tax deductible on your federal income tax return. Non-deductible contributions are permitted.</p> <p>Earnings grow tax deferred.</p> <p>Withdrawals are subject to income taxation.</p> <p>Early withdrawal penalties may apply on taxable amounts distributed before age 59 ½.</p> <p>Distributions are required to start at age 73 beginning in 2023 (age 75 in 2033).</p>	<p>Tax-advantaged savings account used to provide retirement income, although account balances can be withdrawn at any time.</p> <p>Contributions require earned income and your adjusted gross income may limit how much you can contribute. Contributions are never tax-deductible on your federal income tax return.</p> <p>Earnings grow tax deferred.</p> <p>Your after-tax contributions can be withdrawn at any time without taxes or penalties.</p> <p>Withdrawal of tax-deferred earnings may be qualified (income tax free) or non-qualified (subject to income tax and possible penalties before age 59 ½).</p>	<p>Tax-advantaged savings account used to provide retirement income, although account balances can be withdrawn at any time.</p> <p>Contributions are made from balances previously saved in workplace retirement plans, like 401(k) or 403(b) plans, or in other IRAs.</p> <p>Earned income is not required for a rollover.</p> <p>Rollover IRAs can be traditional IRAs or Roth IRAs.</p> <p>Account balances rolled over may be from pre-tax or after-tax sources and are generally not taxable. (See Rollover Decision Considerations below.)</p>



## Retirement Planning

Features and Benefits	Traditional IRA	Roth IRA	Rollover IRA
		Distributions are not required during your lifetime.	Earnings grow tax deferred. Taxation of withdrawals and requirements to take distributions depends on the type of IRA the rollover funded (traditional or Roth), the source of contributions (pre-tax or after-tax) and in the case of a Roth IRA, the timing of the withdrawal. Early withdrawal penalties may apply on taxable amounts distributed prior to age 59 ½.
<b>Annual Contribution Limit</b>	<p>\$6,500 for 2023 (\$7,000 for 2024) or 100% of earned income, whichever is less (minus Roth IRA contributions).</p> <p>If married and filing a joint return, spousal contributions can be made by a non-working spouse based on the working spouse's earned income.</p> <p>\$1,000 catch-up contribution is available for individuals aged 50 and older.</p>	<p>\$6,500 for 2023 (\$7,000 for 2024) or 100% of earned income, whichever is less (minus traditional IRA contributions).</p> <p>If married and filing a joint return, spousal contributions can be made by a non-working spouse based on the working spouse's earned income.</p> <p>\$1,000 catch-up contribution is available for individuals aged 50 and older.</p>	<p>Annual contributions are permitted. (See Traditional IRA or Roth IRA.)</p> <p>Rollover contributions are not limited by dollar amount. However, they are limited to eligible rollover distributions. Rollover contributions cannot include:</p> <ul style="list-style-type: none"> <li>• Required minimum distributions</li> <li>• Hardship distributions</li> <li>• Plan loans</li> <li>• A series of substantially equal periodic payments</li> </ul>
<b>Adjusted Gross Income (AGI) Limit for Annual Contributions</b>	<p>Eligibility for a traditional IRA deduction is phased out based on participation in an employer-sponsored plan and modified AGI:</p> <ul style="list-style-type: none"> <li>• Single and Plan Participant <ul style="list-style-type: none"> <li>– \$73,000-\$82,999 (2023)</li> <li>– \$77,000-\$86,999 (2024)</li> </ul> </li> <li>• Joint and Plan Participant <ul style="list-style-type: none"> <li>– \$116,000-\$135,999 (2023)</li> <li>– \$123,000-\$142,999 (2024)</li> </ul> </li> <li>• Joint and not Plan Participant, but Spouse is Plan Participant</li> </ul>	<p>Eligibility to make Roth IRA contributions is phased out with AGI:</p> <ul style="list-style-type: none"> <li>• Single <ul style="list-style-type: none"> <li>– \$138,000-\$152,999 (2023)</li> <li>– \$146,000-\$160,999 (2024)</li> </ul> </li> <li>• Joint <ul style="list-style-type: none"> <li>– \$218,000-\$227,999 (2023)</li> <li>– \$230,000-\$239,999 (2024)</li> </ul> </li> </ul>	See Traditional IRA or Roth IRA.



## Retirement Planning

Features and Benefits	Traditional IRA	Roth IRA	Rollover IRA
	<ul style="list-style-type: none"> <li>– \$218,000-\$227,999 (2023)</li> <li>– \$230,000-\$239,999 (2024)</li> </ul>		
<b>Required Minimum Distributions (RMDs)</b>	Distributions are required to start at age 73 beginning in 2023 (age 75 in 2033).	Distributions are <i>not</i> required during your lifetime.	See Traditional IRA or Roth IRA.
<b>Taxation of Distributions</b>	<p>Withdrawals are subject to income taxation, but income taxes will be pro-rated if account balances contain a combination of deductible and non-deductible contributions.</p> <p>Aggregation rules apply. All traditional IRAs you own are treated as one for purposes of determining the taxability of distributions.</p>	<p>There is an ordering sequence to Roth IRA withdrawals. Each category must be distributed before the next, as follows:</p> <ul style="list-style-type: none"> <li>• Annual contributions are distributed first and can be withdrawn at any time without taxes or penalties.</li> <li>• Conversion contributions (amounts rolled over from previous pre-tax retirement savings) are withdrawn next. Because incomes taxes are paid in the year converted, conversion dollars can be distributed without income taxation. However, the 10% early withdrawal penalty may apply if distributed in the first 5 years after conversion when you are younger than age 59 ½. (See Penalty-Free Withdrawals below.)</li> <li>• Earnings are withdrawn last. A qualified withdrawal of earnings is income tax free if taken after 5 years <i>and</i> after age 59 ½, disability or death of the account owner, or for a first-time home purchase (\$10,000 lifetime limit). A non-qualified withdrawal of earnings is subject to income tax and possible penalties. (See Penalty-Free Withdrawals below.)</li> </ul> <p>Aggregation rules apply. All Roth IRAs you own are treated as one for purposes of determining the taxability of distributions.</p>	See Traditional IRA or Roth IRA.



## Retirement Planning

Features and Benefits	Traditional IRA	Roth IRA	Rollover IRA
<b>Penalty-Free Withdrawals</b>	<p>Withdrawals prior to age 59 ½ are typically subject to a 10% penalty tax. Exceptions to the 10% penalty, include but are not limited to distributions for:</p> <ul style="list-style-type: none"> <li>• Disability</li> <li>• Death</li> <li>• First-time home purchase (\$10,000 lifetime limit)</li> <li>• Higher education expenses</li> <li>• Substantially equal periodic payments</li> <li>• Qualified disaster distributions</li> <li>• Qualified birth or adoption (up to \$5,000 per child)</li> <li>• Terminal Illness</li> </ul>	<p>Non-qualified withdrawal of earnings prior to age 59 ½ are typically subject to a 10% penalty tax. Exceptions to the 10% penalty are the same as for traditional IRAs.</p>	<p>See Traditional IRA or Roth IRA.</p>

## Rollover Decision Considerations

There are many considerations in rolling assets from your former employer’s retirement plan to an IRA. Below are some of the important factors to consider and discuss with your financial advisor and tax professional as you explore the option of rolling over to an IRA. Every individual’s situation is different. Keep in mind that investing involves risk, including the loss of principal. The value of your investment in an IRA will fluctuate over time and you may gain or lose money.

Rollover Consideration	Qualified Employer-Sponsored Plan (e.g. 401(k), 403(b)(7), or Pension Plan)	IRA
<b>Investment Options</b>	<p>May have limited investment menu, but also may have lower fees and expenses or proprietary investments (e.g., employer stock).</p>	<p>Broad range of investment options, including mutual funds, exchange-traded funds (ETFs), equities, fixed income, and alternative investments.</p>
<b>Fees and Expenses</b>	<p>Varies by plan and service provider, but generally includes investment management and advisory fees. Plan administrative fees (e.g., record keeping, compliance, trustee fees) may be paid by you or your employer, at the employer’s discretion.</p>	<p>Costs vary based on services you choose and may include investment management and advisory fees, commissions and sales charges, and account fees (e.g., brokerage fees, maintenance, and termination fees).</p>



## Retirement Planning

Rollover Consideration	Qualified Employer-Sponsored Plan (e.g. 401(k), 403(b)(7), or Pension Plan)	IRA
<b>Services</b>	Varies by plan and generally includes investment advice or investment management, planning tools, educational support and materials, and other services.	Varies based on services you choose and may include investment advice, brokerage services, planning tools, education support and materials, and other services.
<b>Penalty-Free Withdrawals</b>	May begin in the year you turn age 55 if you retire or separate from service; otherwise, may be available under the plan’s terms at age 59 ½. Exceptions apply.	Generally, begins at age 59 ½ for traditional IRAs. Qualified Roth IRA distributions are income tax free after 5 years and age 59 ½. Exceptions apply.
<b>Protection from Creditors and Legal Judgements</b>	Typically, unlimited under federal law for ERISA plans. Owner-only plans do not carry the same ERISA creditor protections; protection varies by state laws.	Federal bankruptcy protection for rollover IRA balances and up to an inflation-adjusted \$1.3 million for other IRA assets. Non-bankruptcy protection varies by state laws.
<b>Required Minimum Distributions (RMDs)</b>	Not generally required to begin until you retire and have reached age 73 beginning in 2023 (age 75 in 2033).	For traditional IRAs, RMDs start at age 73 beginning in 2023 (age 75 in 2033). For Roth IRAs, there are no RMDs during your lifetime.
<b>Employer Stock</b>	If available, you may take advantage of Net Unrealized Appreciation (NUA) rules.	Employer stock may be eligible for rollover, but if rolled, you lose the opportunity for NUA.
<b>Consolidation</b>	Plan may allow rollovers from other eligible retirement plans and IRAs.	Rollovers of eligible rollover distributions are permitted.
<b>Beneficiary Flexibility</b>	Plan document may limit beneficiary designations and distributions options available.	Typically allows the naming of any person, group, or entity. May be subject to custodian or trustee review.
<b>Contributions</b>	Contributions may be made by the employer, the employee or both, and are generally larger than IRAs. Contributions are not permitted if no longer employed.	Subject to IRA rules, including requirement for earned income and modified adjusted gross income limitations.
<b>Loans</b>	May be available at the discretion of the employer.	Not permitted.
<b>Distribution Tax Withholding</b>	Distributions taken in cash are generally subject to mandatory 20% federal income tax withholding. Automatic cash-out provisions apply for small balances (with no income tax withholding).	Federal income tax withholding on distributions is optional. No automatic cash-out rules.

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