

# 10 Traditional & Roth IRA Facts:

## What to Know Before You Invest

As an investor who is at least 10 years out from retirement, should you invest in a traditional IRA, Roth IRA or both? Here's a quick comparison to help you decide.

### Traditional IRA

- 1. No age limit.** You can contribute to a traditional IRA at any age.
- 2. Contribution amount.** In 2021, you can contribute \$6,000. For those age 50+, you can contribute an additional \$1,000. There's no limit to amounts rolled over from another IRA. If you contribute to a Roth IRA too, then your total contributions to both accounts can't exceed \$7,000.
- 3. Contribution eligibility.** You can only contribute to a traditional IRA if you have earned income, but it doesn't matter how much you make.
- 4. 2021 extended contribution deadline.** With the 2021 extension on filing federal taxes to May 17, 2021, you can also make IRA contributions through that date.
- 5. Tax deduction on contributions.** Regardless of your income, if you're single or married, you can take a tax deduction on your contribution, up to the maximum contribution amount of \$6,000.
- 6. Limit on tax deduction.** If you make contributions to an employer-sponsored 401(k) and your own traditional IRA, you may be limited on how much you can deduct from your taxes. Consult with a tax professional for more details.
- 7. Upfront tax break.** In other words, you put money in pre-tax, and are taxed at your regular income tax rate in the year in which you take a distribution.
- 8. Withdrawals and earnings are taxed.** Since you didn't pay tax on the money you put into a traditional IRA, you do pay taxes when you withdraw money, including earnings.
- 9. Penalty-free withdrawals at age 59½.** Once you turn 59½, you can take a withdrawal without paying a penalty.
- 10. Required Minimum Distributions.** When you turn age 72, you will be required to take a certain amount out of your IRA, whether you need that amount or not. This could create a tax burden for you, because you pay taxes on the amount withdrawn.

## Roth IRA

- 1. No age limit.** You can contribute to a Roth IRA at any age.
- 2. Older investors.** As you near retirement, contributing to a Roth IRA now while you're working and potentially in a lower tax bracket than you may be in retirement can be an advantage.
- 3. Contribution amount.** Similar to the traditional IRA, you can contribute \$6,000 in 2021 and there's no limit to amounts rolled over from an IRA. For those age 50+, you can contribute an additional \$1,000. If you contribute to a traditional IRA too, then your total contributions to both accounts can't exceed \$7,000.
- 4. Contribution eligibility.** You can only contribute earned income to a Roth IRA and only if you make less than \$140,000 of adjusted gross income (AGI) for single filers and less than \$208,000 for joint filers in 2021. If you contribute to a 401(k) at work, you're still eligible to contribute to a Roth IRA on your own.
- 5. 2021 extended contribution deadline.** With the 2021 extension on filing federal taxes to May 17, 2021, you can also make Roth IRA contributions through that date.
- 6. No tax deduction on contributions.** Since you make contributions after-tax, you don't receive a tax deduction.
- 7. Taxed upfront.** Opposite of the traditional IRA, you pay taxes on the money you put into a Roth, but contributions and earnings grow tax-free.
- 8. Withdrawals on contributions tax-free.** You can take withdrawals from what you put into the Roth (contributions) tax-free anytime.
- 9. Five-year wait on earnings withdrawals.** You have to wait five years to take a withdrawal on earnings (otherwise you pay a penalty for early withdrawals). There are some exceptions.
- 10. No RMDs.** Unlike a traditional IRA where you have to take a certain amount of money out at age 72, Roth IRAs have no RMDs, so you only take out the amount you need.

## Talk With Your Advisor

As you get closer to retirement, it's important to meet with a wealth advisor to make sure when you're ready to withdraw income to live on, you're making those withdrawals in the most tax-efficient way possible. At Mariner Wealth Advisors, your advisor will review all of your retirement accounts and work with our in-house teams, including tax professionals, to help reduce your tax burden and grow your investments to help you reach your goals.

For more information visit: [marinerwealthadvisors.com](https://marinerwealthadvisors.com)

### Sources

- ["IRA Contribution Limits"](#)
- ["2021 IRA Deduction Limits"](#)
- ["Roth IRA Contribution Rules"](#)
- ["Traditional IRAs"](#)

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