

10 Traditional & Roth IRA Facts:

What to Know Before You Invest

As an investor with a ways to go to retirement, should you invest in a traditional IRA, Roth 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. 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 \$6,000.
- 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 This could create a tax burden for you, because you pay taxes on the amount withdrawn.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. Younger investors.** As a younger investor, contributing to a Roth IRA now while you're 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. If you contribute to a traditional IRA too, then your total contributions to both accounts can't exceed \$6,000.
- 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 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. There are some exceptions such as being a first time homebuyer.
- 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 plan for 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://www.marinerwealthadvisors.com)

Sources

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

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