

# Traditional IRAs vs. Roth IRAs – 2020/2021

	Traditional IRA	Roth IRA	Roth IRA conversion
Maximum contribution 2021	<ul style="list-style-type: none"> <li>• \$6,000 (earned income)</li> <li>• \$7,000 (age 50 and over)<sup>1</sup></li> <li>• Reduced by Roth IRA contributions</li> </ul>	<ul style="list-style-type: none"> <li>• \$6,000 (earned income)</li> <li>• \$7,000 (age 50 and over)<sup>1</sup></li> <li>• Reduced by Traditional IRA contributions</li> </ul>	No limit on conversions of Traditional IRAs, SEP IRAs, SIMPLE IRAs (if open 2+ years)
Tax-deductibility income limits (Traditional IRA) and contribution income limits (Roth IRA)	<p>If you or your spouse is covered by a retirement plan at work, tax-deductibility of contributions phases out at these income levels:</p> <p><b>2020</b> Single: \$65,000-\$75,000<sup>2</sup> Married: \$104,000-\$124,000<sup>2</sup></p> <p><b>2021</b> Single: \$66,000-\$76,000<sup>2</sup> Married: \$105,000-\$125,000<sup>2</sup></p>	<p>Contributions are non-deductible; employer plan coverage does not change the contribution limits:</p> <p><b>2020</b> Single: \$124,000-\$139,000 Married: \$196,000-\$206,000</p> <p><b>2021</b> Single: \$125,000-\$140,000 Married: \$198,000-\$208,000</p>	N/A
Federal tax treatment	<ul style="list-style-type: none"> <li>• Investment growth is tax deferred and contributions may be tax deductible. Deductible contributions and investment gains are taxed as ordinary income upon withdrawal.</li> <li>• If non-deductible contributions have been made, each withdrawal is taxed proportionately on a pro-rata basis, taking into consideration all contributions made to all Traditional IRAs owned.</li> </ul>	<ul style="list-style-type: none"> <li>• Taxes are due upon conversion of account balances not yet taxed.</li> <li>• Qualified withdrawals of contributions at any time are tax free and IRS penalty free; converted amounts may be withdrawn tax free.<sup>3</sup></li> <li>• Qualified withdrawals of earnings are tax free and IRS penalty free if taken after five years have passed since the account was initially funded and the account owner is age 59½ or older (other exceptions may be applicable).</li> <li>• Multiple Roth IRAs are considered one Roth IRA for withdrawal purposes and distributions MUST be withdrawn in a specific order deemed by the IRS that applies regardless of which Roth IRA is used to take that distribution.</li> </ul>	
Early withdrawals	Early withdrawals before age 59½ are generally subject to a 10% IRS penalty unless certain exceptions apply.		
Mandatory withdrawals	By April 1 of the year after turning 72 (70½ for those born prior to July 1, 1949).	None for account owner	None for account owner
Deadline to contribute	<b>2020:</b> April 15, 2021 <b>2021:</b> April 15, 2022	<b>2020:</b> April 15, 2021 <b>2021:</b> April 15, 2022	N/A

<sup>1</sup>Must be age 50 or older by December 31 of the contribution year. IRS Publication 590.

<sup>2</sup>Assumes participation in an employer's retirement plan. No income limits apply when investors and spouses are not covered by a retirement plan at work. Income limits based on Modified AGI (Adjusted Gross Income less certain deductions). Use Worksheet 1-1 in IRS Publication 590-A or consult your tax professional.

<sup>3</sup>Distributions from a conversion amount must satisfy a five-year investment period to avoid the 10% penalty. This pertains only to the conversion amount that was treated as income for tax purposes. The presenter of this slide is not a tax or legal professional. Clients should consult a personal tax or legal professional prior to making any tax- or legal-related investment decisions. IRS Publication 590.

Source: IRS.gov.

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