

# What is an IRA?

## Plan for Retirement

### What are the benefits?

An IRA, or an Individual Retirement Account, is a way for individuals to save for retirement on a tax-free growth or on a tax-deferred basis. IRAs offer a wide range of investment options such as stocks, bonds, or mutual funds.

Contributions may be tax-deductible, and the earnings can grow tax-deferred until retirement. The tax advantages of an IRA allow for your savings to potentially accumulate and grow faster compared to a taxable account. Pension plans, social security benefits, and savings accounts can be supplemented with an IRA account.

IRAs are federally insured. The National Credit Union Administration (NCUA) insures deposit accounts held in a Traditional or Roth IRA at the Credit Union at up to \$250,000. APCI FCU offers Traditional and Roth IRAs with no annual maintenance fees.



### What is the difference between a Traditional and Roth IRA?

#### Traditional IRA

- Contributions may be tax deductible depending on IRA holders adjusted gross income and other circumstances
- Earnings grow tax deferred
- Money contributed and earned is subject to income tax at the time of withdrawal
- Normal distributions may be made without IRS penalty when IRA holder reaches 59 ½\*
- Withdrawals before 59 ½ are subject to a 10% early distribution penalty (certain exceptions apply)\*
- Annual minimum distributions are required when the IRA holder turns 73

#### Roth IRA

- Funded by after-tax dollars; contributions are not initially tax-deductible
- Earnings grow tax deferred
- Withdrawals before 59 ½ are subject to a 10% early distribution penalty (certain exceptions apply)\*
- Qualified withdrawals of contributions and earnings are tax free\*
- No required minimum distribution regardless of age

\* Share certificate withdrawal penalties may apply.

# Give Yourself a Bright Future



## IRA Eligibility

Individuals with earned income, or the spouse of an individual with earned income, are eligible to contribute to an IRA. However, eligibility criteria can differ depending on the type of IRA.

### Traditional IRA

- You did, or you will receive earned income for the tax year specified.

### Traditional Spousal IRA

- You or your spouse did or will receive earned income for the tax year specified.
- You and your spouse will file a joint federal income tax return for the year specified.

### Roth IRA

- You did, or you will receive earned income for the tax year specified.
- You and your spouse (if applicable) did, or will receive Modified Adjusted Gross Income, (MAGI), less than the maximum permitted for the tax year specified.
  - For 2023, the maximum MAGI limit is \$218,000 for married filing jointly, \$138,000 for single, and \$10,000 for married filing individually.
  - For 2024, the maximum MAGI limit is \$230,000 for married filing jointly, \$146,000 for single, and \$10,000 for married filing individually.
  - Your contribution may be limited if your MAGI exceeds certain income limits.

### Roth Spousal IRA

- You or your spouse did or will receive earned income for the tax year specified.
- You and your spouse will file a joint federal income tax return for the year specified.
- You and your spouse did, or will receive Modified Adjusted Gross Income, (MAGI), less than the maximum permitted for the tax year specified.
  - For 2023, the maximum MAGI limit is \$218,000.
  - For 2024, the maximum MAGI limit is \$230,000.
  - Your contribution may be limited if your MAGI exceeds certain income limits.

## Contribution Amounts

For tax year 2024, the contribution limits for Traditional and Roth IRAs are \$7,000.00.

Individuals aged 50 or older can contribute an additional \$1,000 per year beyond the standard contribution limit. This is meant to help older individuals accelerate their IRA growth as they approach retirement.

IRA contributions for the prior year can be made until Tax Day. Contributions made for the previous year between January 1 and Tax Day are considered carry back contributions.