TIAA-CREF *(found on website)*

Retirement Security: IRA Basics

[ShareEmailPrint]

Even if you're already saving in a workplace retirement plan, think about investing in an individual retirement account (IRA) to potentially further grow your retirement income.

Traditional or Roth? Choose the right IRA for your needs.

There are two basic types of IRAs: Traditional and Roth. You can choose to invest in one or both types depending on your circumstances. Contributing to a workplace retirement plan does not make you ineligible to contribute to an IRA in the same year.

Which type of IRA is best for you: Traditional or Roth? To help you decide, the chart below offers a comparison.

Please Note:The maximum you can contribute for tax year 2014 is $5,500 ($6,500 if you are age 50 or older).

Earned income: income from a job, self-employment or alimony.

Traditional IRA: an individual retirement account that offers a current-year tax deduction on your contributions if certain qualifications are met. Investment earnings are tax deferred until distribution.

Roth IRA: an individual retirement account that does not offer a tax deduction on your contributions but does offer tax-free distributions if certain qualifications are met.

	TRADITIONAL IRA	ROTH IRA

	TRADITIONAL IRA	ROTH IRA
Tax advantages	You may be able to deduct your contributions, depending on your filing status, your income level and whether you or your spouse participate in a workplace retirement plan Tax-deferred growth	No tax deduction on your contributions, but generally, distributions eventually made from the account will be completely tax free
Who is eligible?	Anyone with earned income who is under age 70½ can at least make after-tax (nondeductible) contributions Persons age 70½ or older cannot contribute No minimum age	Anyone with earned income who does not exceed a given level of modified adjusted gross income (MAGI) based on tax-filing status Persons who have earned income but exceed the MAGI limit can still make a nondeductible contribution to a Traditional IRA No minimum age
Who can benefit the most	People who: • Think they may be in a lower tax bracket in retirement • Can deduct their contributions from their federal taxes • Earn too much to be eligible to contribute to a Roth IRA	People who: • Think they might be in a higher tax bracket in retirement • Want to leave assets to their heirs • May want to retrieve their original contributions before retirement • Are age 70½ or older and want to keep contributing to an IRA (provided they have annual earned income equal to the amount of their total annual

	TRADITIONAL IRA	ROTH IRA
		contributions)
How much can you contribute?	**If you're under age 50:** up to $5,500 for the 2014 tax year **If you're 50 or older:** up to $6,500 for the 2014 tax year	**If you're under age 50:** up to $5,500 for the 2014 tax year **If you're 50 or older:** up to $6,500 for the 2014 tax year
When can you make withdrawals?	Although federal penalties and taxes apply to withdrawals before age 59½, you can take a penalty-free withdrawal at any age to make a qualified first-home purchase ($10,000 withdrawal limit) or to meet qualified higher-education expenses. There are additional situations in which penalties may be waived before age 59½. You must begin receiving required minimum distribution (RMD) payments from the IRA by age 70½ or face a 50% IRS penalty on the amount you should have withdrawn up to that point under the rules.	Because you make Roth contributions with after-tax money, you can withdraw your original contributions at any age, free of federal taxes and penalties. If your Roth IRA is in place at least five years, you can withdraw earnings free of federal taxes after age 59½, or up to $10,000 at any age to make a qualified first-home purchase. There are additional situations in which you may be able to withdraw earnings free of taxes. A Roth IRA has no RMD rules requiring you to start withdrawing money by any given age.

Simplified Employee Pension (SEP) IRA:

A Simplified Employee Pension IRA is a Traditional IRA for use by self-employed persons. If you're self-employed, a SEP IRA offers a good way to save for retirement while receiving tax advantages. For the 2013 tax year, you can contribute up to 25% of your compensation, or a maximum of $52,000, to a SEP IRA.

Contributing by electronic funds transfer

Using electronic funds transfer (EFT) to contribute automatically to an IRA is an easy way to invest, even if you have limited amounts of money available.

By setting up contributions through EFT, you can make either a one-time contribution or arrange for ongoing contributions to your IRA automatically. Through EFT, you can save even small amounts for retirement consistently over time. Check with your financial services provider regarding the availability of EFT.

Consolidating assets

If you have retirement savings in more than one former employer's workplace retirement plan, think about having your tax-deferred savings in those plans distributed and "rolled over" (transferred) to a single IRA. Consolidating savings from multiple plans into a single IRA can make it easier to monitor and manage your nest egg while preserving the tax-deferred status of your earnings and any contributions you deducted on your tax returns. Also, an IRA may provide more investment options than your old workplace plans provide.

If you decide to do any rollovers, have your former employers transfer the distributions from their plans directly to the IRA trustee, not to you. If a distribution check is sent to you, taxes will be triggered on the previously tax-deferred money if you fail to deposit this amount into a new qualified retirement plan or rollover IRA within 60 days. Your safest bet may be to consult with your financial or tax advisor before deciding on a rollover.

Keep your IRA well-maintained

Like your car, your IRA needs periodic maintenance to keep it in good running order. It's important to review your IRA at least annually to make sure you still have the proper beneficiary designations and an asset allocation that's appropriate for your long-term goals.

Also review the IRA whenever you have a major life event, such as a marriage, remarriage, divorce, death of a spouse, or the birth or adoption of a child. Major life events, might warrant a change in your beneficiary designations or otherwise affect your retirement planning. And whenever life brings you an increase in your discretionary income — for example, if you get a bonus or pay raise — think about putting all or some of that increase into your IRA to add more heft to your nest egg.

Please note that rollovers and transfers may be subject to differences in features, costs, and surrender charges. Indirect transfers may be subject to taxation and penalties. Consult your tax advisor regarding your situation.