retire

Including inflation indexed amounts for tax years 2020 and 2021.

What is a Roth IRA?

A Roth IRA is an individual retirement account to which participants are able to make annual non-deductible contributions. Unlike a traditional IRA in which your earnings are tax-deferred, Roth IRA earnings can be tax free.

Am I eligible to make a full contribution?

Refer to the table below to determine if you are eligible to contribute the full amount for your filing status:

Single Person Filing Individually		
Tax Year	Full Contribution if your modified MAGI* is:	Partial Contribution if your modified MAGI* is between:
2020	$124,000 or less	$124,000 - $139,000 no contribution if $139,000 or more
2021	$125,000 or less	$125,000 - $140,000 no contribution if $140,000 or more
Married Couple Filing Jointly		
Tax Year	Full Contribution if your modified MAGI* is:	Partial Contribution if your modified MAGI* is between:
2020	$196,000 or less	$196,000 - $206,000 no contribution if $206,000 or more
2021	$198,000 or less	$198,000 - $208,000 no contribution if $208,000 or more

*Modified Adjusted Gross Income

Involvement in a employer sponsored retirement plan such as a 401(k) or pension plan does not affect your ability to contribute to a Roth IRA, provided you meet the above income guidelines.

With a Roth IRA, much like a traditional IRA, you can make contributions provided you have earned income.

How much can I contribute?

The amount qualified IRA owners are permitted to contribute in 2020 and 2021 is $6,000. Additional catch-up contributions can be made by qualified individuals age 50 or older. If you qualify, you are permitted to annually contribute the following maximum amounts or 100% of your earned compensation and alimony; whichever is less:

Maximum Contribution Limits		
Tax Year	Under Age 50	Age 50 or Over
2020	$6,000	$7,000
2021	$6,000	$7,000

Spousal IRA rules enable married couples filing jointly to contribute the maximum amount to their separate Roth IRA accounts even if one spouse has little or no earned income. To qualify, their combined earned income must be equal to or greater than the total contributed amount.

When can I withdraw from a Roth IRA?

You may withdraw your Roth IRA contributions at any time, without tax and penalty free. “Qualified distributions” may be withdrawn tax and penalty free. “Non-qualified” distributions may be taxable and subject to an IRS 10% early distribution penalty.

To be considered a "qualified distribution," the following characteristics MUST apply: You have been a participant in the Roth IRA for over five years, beginning with the first year in which the account was converted or a contribution was made. **AND...**
• you have reached age 59 ½ **OR**,
• the distribution is paid to a beneficiary due to your death.
• the distribution is paid following your becoming permanently and totally disabled.
• the distribution is paid to you for the first time purchase of a home up to $10,000.

The 10% IRS early withdrawal penalty will not apply to "non-qualified" distributions to which one or more of the following exceptions apply:
• you have reached age 59 ½.
• the distribution is paid to a beneficiary due to your death.
• the distribution is paid following your becoming permanently and totally disabled.
• the distribution is paid as part of a series of "substantially equal" periodic payments.
• the distribution is used to pay for medical expenses in excess of 7.5% of your AGI.
• the distribution is used to pay for health insurance premiums if you have been unemployed 12 or more weeks.
• the distribution is used for the first time purchase of a home, up to $10,000.
• the distribution is used to pay for qualified higher education expenses.
• the distributions is paid to a qualified reservist called to active duty after September 11, 2001.
Ordering rules dictate that distributions from a Roth IRA come first from:
1. Annual Contributions
2. Rollover Contributions on a first in, first out basis (with the dollars that were includable in income as a result of conversion coming out before nontaxable dollars)
3. Post-Contribution earnings

Must I contribute every year?

No. You are not required to contribute to your Roth IRA each year.

If I die, what happens to my IRA?

The entire amount of your IRA will be paid to your beneficiary or beneficiaries. They can determine the manner in which the account is paid.

Can I convert my traditional IRA to a Roth IRA?

Income limit restrictions for individuals who want to convert their Traditional IRA to a Roth IRA have been removed. Previously, Traditional to Roth IRA conversion eligibility was restricted to single income tax filers or married couples filing jointly with modified adjusted gross incomes no higher than $100,000. Individuals who convert a Traditional to a Roth IRA must pay taxes on the amount of the conversion that is attributable to their deductible contributions and earnings.

Is my IRA insured?

Your Roth retirement accounts at Via Credit Union are added together and insured up to $500,000 through a combination of $250,000 in federal insurance by National Credit Union Administration (NCUA) and $250,000 in private insurance by Excess Share Insurance (ESI). Retirement accounts are insured separately from any Single, Joint or Revocable Trust accounts you have on deposit at ViaCU. This $500,000 of insurance coverage applies to federally insured retirement deposits only. Investments such as mutual funds, stock, bonds, etc. are not guaranteed and may lose value.

What is the deadline for opening a Roth IRA?

You can open or fund your IRA any time until your federal tax return is due. Normally, April 15 of the following year, excluding extensions.

How do I open a Roth IRA?

Just come in and talk with us. One of our representatives can go over the benefits of a Roth IRA and explain our investment programs.

www.viacu.org • 765.674.6631

VIA CREDIT UNION