Roth vs. Traditional IRA

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This side-by-side comparison gives a general overview of the main differences between Traditional and Roth IRAs. Use it to help you decide which IRA is right for you. If you are eligible for both a Traditional and Roth IRA, you can contribute to both as long as your total contributions for the year do not exceed the annual limit.

Traditional IRA

A Traditional IRA may make sense if you:

- Are eligible for a Traditional IRA deduction
- Are not eligible to contribute to a Roth IRA
- Anticipate a higher tax rate while saving
- Anticipate a lower tax rate during retirement
- Are interested in taking required minimum distribution (RMD) amounts during retirement
- Are not concerned about tax savings for beneficiaries

Focus on Traditional IRAs

IRA owners must have earned income and be under age 70½ to make contributions.

- Contributions may be tax deductible.
- Earnings grow tax deferred.
- Distributions generally are taxable.
- Distributions before age 59½ are subject to penalty tax, unless an early distribution penalty tax exception applies.
- Required minimum distributions must begin at age 70½.

Roth IRA

A Roth IRA may be more fitting if you:

- Are not eligible for a Traditional IRA deduction
- Anticipate a lower tax rate while saving
- Anticipate a higher tax rate during retirement
- Want to avoid RMDs
- Are concerned about tax savings for beneficiaries
- Are not eligible to contribute to a Traditional IRA because of the age limit

Focus on Roth IRAs

IRA owners must have earned income below or within the applicable MAGI limits to make contributions.

- Contributions are not tax-deductible.
- Contributions generally can be distributed tax free at any time.
- Earnings grow tax deferred.
- Earnings can be distributed tax free if the Roth IRA owner first made a Roth IRA contribution at least five years ago, AND is age 59½ or older, disabled, deceased, or qualifies as a first-time home buyer.
- Distributions are not required until after the Roth IRA owner dies.

MAGI Limits for Traditional IRA Tax Deductions

IRA Owner	Year	Full Deduction	Partial Deduction	No Deduction
Single, Active Participant	2021	$66,000 or less	$66,000 - $76,000	$76,000 or more
	2022	$68,000 or less	$68,000 - $78,000	$78,000 or more
Married, Active Participant, Filing Joint Tax Return*	2021	$105,000 or less	$105,000 - $125,000	$125,000 or more
	2022	$109,000 or less	$109,000 - $129,000	$129,000 or more
Nonactive Participant Married to Active Participant, Filing Joint Tax Return	2021	$198,000 or less	$198,000 - $208,000	$208,000 or more
	2022	$204,000 or less	$204,000 - $214,000	$214,000 or more

*If married, filing separate tax returns and MAGI is under $10,000, a partial Traditional IRA deduction can be taken. This amount is not subject to COLAs.

Q&A

Q: How do I determine if I am eligible to deduct my Traditional IRA contribution?

A: One of the key benefits of contributing to a Traditional IRA is the potential for a tax deduction up front. You can deduct 100 percent of your contribution if in the year of the contribution, you and your spouse are not active participants in employer-sponsored retirement plans.

If you or your spouse are active participants, your IRA deduction depends on your tax filing status and the amount of your modified adjusted gross income (MAGI). For 2022, you may deduct 100 percent of your contribution if you are an active participant filing a joint income tax return and your MAGI is $109,000 or less, and for single filers, $68,000 or less. If you are not an active participant, but your spouse is, you can deduct the full contribution amount if your joint MAGI is $204,000 or less. You should consult with a competent tax advisor to determine your deductibility.

If you (or your spouse) are an active participant, and your MAGI is over the limits previously mentioned, the amount of your IRA deduction is gradually phased out, meaning that you may be able to take only a partial deduction or no deduction at all. See below for the current income limits. These limits are subject to cost-of-living adjustments (COLAs). Keep in mind though, that if you cannot deduct your contribution, you can make nondeductible contributions, and nondeductible contributions are not taxable to you when distributed.

This information is not intended to provide tax advice. See a competent tax advisor to help you determine which type of IRA suits your needs.

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Q&A Continued

Q: Am I eligible for a tax credit for my Traditional IRA contribution?

A: If your income falls within certain limits, you may qualify for the saver's tax credit of up to $1,000. In addition, you must:

- Be at least 18 years of age at the close of the taxable year,
- Not eligible to be claimed as a dependent by another taxpayer, and
- Not be a full-time student.

See IRS Publication 590-A, *Contributions to Individual Retirement Arrangements* (*IRAs*), or consult your tax advisor to find out if you are eligible for this credit.

Q: Can I own and contribute to more than one Traditional IRA?

A: Yes. If you sign one Traditional IRA plan agreement and make subsequent contributions under that same agreement, only one Traditional IRA exists. If you sign more than one plan agreement for a Traditional IRA, then you own multiple Traditional IRAs and can make contributions to each one. But you must aggregate all of your IRA contributions for the year and stay within the applicable limit.

Q: If I contribute to a Roth IRA, can I also contribute to a Traditional IRA?

A: Yes. But the annual contribution limits described previously apply to both Traditional and Roth IRA contributions that you make for the year in aggregate. Thus, you may contribute a partial amount to both, as long as the total does not exceed your annual limit.

Q: Can I still contribute to a Traditional IRA if I participate in another retirement plan?

A: Yes. Your participation in an employer-sponsored retirement plan will not affect your ability to contribute to a Traditional IRA (assuming age and compensation requirements are met). But, depending on your income level, if you do participate (receive contributions) in a retirement plan, you may lose the ability to deduct your Traditional IRA contribution.

Q: Will contributing to my Traditional IRA affect the amount that I can contribute to my employer-sponsored retirement plan?

A: No. The amount you contribute to your Traditional IRA will not affect the amount you contribute to your employer-sponsored retirement plan.

Q: Can other retirement plan assets be deposited into a Traditional IRA?

A: Simplified employee pension (SEP) plan employer contributions can be made to a Traditional IRA. In addition, eligible assets from qualified retirement plans, 403(b) plans, governmental 457(b) plans, the federal Thrift Savings Plan,

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Death
Disability
First-time homebuyer expenses
Qualified higher education expenses
Certain unreimbursed medical expenses
Substantially equal periodic payments
Health insurance premiums during unemployment
Substantially equal periodic payments
Health insurance premiums during unemployment
IRS levy
Qualified reservist distributions