



**Professional Planning  
Group**

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## Comparison of Traditional IRAs and Roth IRAs

I thought this comparison of Traditional VS Roth IRA would be helpful for employees.  
Tom

## Comparison of Traditional IRAs and Roth IRAs

	Traditional IRA	Roth IRA
<b>What is the maximum annual contribution (2010)?*</b>	Lesser of \$5,000 or 100% of earned income (\$6,000 if age 50 or older)	Lesser of \$5,000 or 100% of earned income (\$6,000 if age 50 or older)
<b>What is the maximum annual contribution to a spousal IRA (for a spouse with little or no earned income) (2010)?*</b>	Lesser of \$5,000 or 100% of combined earned income (\$6,000 if age 50 or older)	Lesser of \$5,000 or 100% of combined earned income (\$6,000 if age 50 or older)
<b>Is your ability to contribute phased out for higher incomes?</b>	No	Yes
<b>Is your contribution tax deductible on your federal income tax return?</b>	Yes. Fully deductible if neither you nor your spouse is covered by a retirement plan. Otherwise, your deduction depends on your income and filing status.	No. Contributions to a Roth IRA are never tax deductible.
<b>How are earnings taxed?</b>	Tax deferred	Tax deferred; tax free if you meet the requirements for a qualified distribution
<b>Are distributions included in your taxable income?</b>	Yes, to the extent that the distribution consists of tax-deductible contributions and investment earnings	Qualified distributions are completely tax free; otherwise, the portion that represents investment earnings is included in your taxable income
<b>Are you required to take distributions during your life?</b>	Yes, the required minimum distribution (RMD) rule applies after you reach age 70½ (waived for 2009)	No, distributions are not required until after your death
<b>Can contributions be made after age 70½?***</b>	No	Yes, if you have earned income
<b>Does a 10% early withdrawal penalty apply to distributions made before age 59½?</b>	Yes, on the taxable portion of the distribution**	Yes, on the taxable portion of the distribution**
<b>Includable in your taxable estate at death?</b>	Yes	Yes
<b>Do your beneficiaries pay income tax on distributions after your death?</b>	Yes, to the extent that a distribution represents deductible contributions and investment earnings	Generally no, as long as the account has been in existence for at least five years

\*Note: Certain low- and middle-income taxpayers may be able to claim a partial income tax credit for amounts contributed to a traditional IRA or Roth IRA. The credit is phased out based on income.

\*\*There are a number of exceptions to the early withdrawal penalty (e.g., distributions made due to qualifying disability). See Premature Distribution Rule for details. Special rules apply to amounts converted from a traditional IRA to a Roth IRA.

\*\*\*Rollover contributions can be made regardless of age or earned income.



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