

How a Roth IRA Works



Account Owner

- Contributions are not tax deductible.
- Total annual contribution is limited.¹
- Annual contribution limits are coordinated with any traditional IRA.

ROTH IRA ACCOUNT

- May be opened anytime between January 1 of current year until due date of tax return.
- Traditional IRA can be converted to a Roth IRA.²
- Earnings accumulate tax deferred.
- Account is usually self-directed (owner controls investments).
- A separate spousal Roth IRA may be established for a spouse with little or no earned income.

QUALIFIED DISTRIBUTIONS

- Qualified distributions are tax-free if a five-year holding period is met and one of the following applies: the owner is over 59½, dies, becomes disabled, or the distribution is for up to \$10,000 of qualified first-time homebuyer expenses.

RETIREMENT

- Assuming compensation, contributions may continue to any age.
- No mandatory age for starting withdrawals.
- No minimum distributions required while owner is alive.
- Qualified distributions are received free of federal income tax.

DEATH

- Value of Roth IRA is included in owner's federal gross estate.
- If five-year holding period is met, beneficiaries receive funds free of federal income tax.
- A surviving spouse may choose to treat an inherited Roth IRA as his or her own.

¹ The maximum annual contribution is the lesser of \$5,500 (\$11,000 for a married couple) or 100% of compensation. For married couples, no more than \$5,500 may be contributed for either spouse. For a Roth IRA owner age 50 or older, an additional \$1,000 may be contributed (\$2,000 if the spouse is also age 50 or older). The maximum annual contribution to a Roth IRA is phased out for individuals with incomes in excess of certain limits.

² The conversion is a taxable event. Gross income for the year of conversion is increased by previously deducted contributions, plus net earnings (or minus net losses).

Consult your tax counsel for advice and information concerning your particular circumstances, and the tax implications of a Roth IRA conversion before making an investment decision. Neither Cetera Advisors Networks, nor any of its representatives may give tax advice.

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