# IRA Comparison

Uncomplicate Retirement®

| | Traditional IRA | Roth IRA | SEP IRA | SIMPLE IRA |
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| **Are there income limits on the ability to make non-deductible contributions?** | No. | Yes, phased out for single filers with adjusted gross income (AGI) between $124,000 and $139,000 and joint filers with AGI between $196,000 and $206,000.[1] | N/A - contributions are made by employer | To be eligible to participate, you must earn at least $5,000 during the current year or any two preceding calendar years. |
| **Is there an annual contribution limit?** | Yes, total contributions to traditional and Roth IRAs limit to $6,000 per taxpayer, or $7,000 if the taxpayer is age 50 or older in the year to which the contribution relates. Total contributions for the taxpayer are limited to 100% of includible compensation. | | Employer contributions can be as much as 25% of compensation[3] or $57,000, whichever is less. | Employee deferrals are limited to $13,500 per year or 100% of compensation. Employer contributions require a dollar-for-dollar match, up to 3% of compensation[4] or a contribution of 2% of compensation for all employees. The $285,000 compensation limit does not apply to the dollar-for-dollar match. |
| **Are contributions deductible?** | Yes, subject to income limits if you or your spouse is a participant in an employer plan. For participants, deductions are phased out at $65,000 to $75,000 for single filers and $104,000 to $124,000 for joint filers.[1] For a non-participant spouse married to a participant, deductions are phased out at $196,000 to $206,000 for joint filers. | No, all contributions are nondeductible, after-tax contributions. | No, but employer contributions are tax-deductible by the employer (including a self-employed person) with a limit of up to 25% of all employee compensation. | No, but employee deferrals are made on a pre-tax basis and employer contributions are tax-deductible by the employer (including a self-employed person). |
| **Can contributions be made for a spouse who does not earn includable compensation?** | Yes, total contributions to traditional and Roth IRAs for a non-working spouse are limited to $6,000 or $7,000 if the spouse is age 50 or older in the year to which the contribution relates. Total contributions for both spouses are limited to 100% of the couple's includable compensation. | | No. | No. |
| **Are annual contributions allowed after age 70½?** | Yes, for 2020 and later years. However, you will need to begin taking required minimum distributions beginning at age 72. | Yes, for 2020 and later years. | Employer contributions can continue after age 70½, however you will need to begin taking required minimum distributions beginning at age 72. | Yes, employees age 70½ and over may continue to make salary deferral contributions to their SIMPLE IRA. However, you will need to begin taking required minimum distributions beginning at age 72. |
| **Can a spouse who is not a participant in an employer plan make a fully deductible IRA contributions?** | Yes, they are phased out at $196,000 to $206,000[1] AGI on a joint return. | No, all contributions are nondeductible. | No, contributions are deductible only to the employer. | No, employee deferrals are made on a pre-tax basis. All contributions are deductible only to the employer. |
| **Are earnings tax deferred?** | Yes. | Yes, or for qualified distributions earnings are tax free | Yes. | Yes. |

Continued on the reverse side.

| | Traditional IRA | Roth IRA | SEP IRA | SIMPLE IRA |
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| **How are withdrawals taxed?** | Withdrawals are generally subject to tax as ordinary income. Exception for pro-rata share of nondeductible contributions. | Contributions may be withdrawn tax free at any time. After Roth IRA is held for five years, then earnings may be withdrawn tax free:<br>➤ After age 59½<br>➤ If the owner has died or become disabled; or<br>➤ For qualified first-time homebuyer expense (up to $10,000).<br>Otherwise, earnings withdrawn are subject to tax as ordinary income. | Withdrawals are generally subject to tax as ordinary income. | Withdrawals are generally subject to tax as ordinary income. |
| **Must withdrawals begin at age 72?** | Yes. | No. | Yes. | Yes. |
| **Are there additional penalty taxes on withdrawals before age 59½?** | There is generally no penalty tax for the portion of any withdrawal that is tax free. If a withdrawal is made before age 59½, then there is a 10% penalty tax on the portion of the withdrawal that is included in ordinary income (and on the portion of the withdrawal from a Roth IRA that represents funds rolled over or converted from a traditional IRA) except in the case of:<br>➤ The death or disability of the owner;<br>➤ Payments that are made in substantially equal payments at least annually for life or life expectancy;<br>➤ Qualified first-time homebuyer expense (up to $10,000);<br>➤ Qualified higher education expense;<br>➤ Deductible medical expenses in excess of 10% of AGI;<br>➤ Certain health insurance premiums for unemployed;<br>➤ Qualified reservist distributions; or<br>➤ Qualified hurricane distributions. | | Yes, distributions made before age 59 ½ may be subject to a 10% federal penalty tax, subject to the same exceptions as apply to a traditional IRA. | Yes distributions made before age 59 ½ may be subject to a 10% federal penalty tax, subject to the same exceptions as apply to a traditional IRA. The tax increases to 25% if the withdrawal is made within the first two years from the date you started participating in your employer's plan. |
| **What rollover contributions are allowed?** | Traditional IRA may receive tax-free rollover of an eligible rollover distributions from another traditional IRA, an SEP IRA, a qualified retirement plan, a 403(b) tax-sheltered annuity, a governmental 457(b) plan or, after a two-year waiting period, a SIMPLE IRA. | Roth IRA may receive tax-free rollover of eligible rollover distribution from another Roth IRA or from a Roth 401(k) or Roth 403(b) account. Roth IRA may also receive eligible rollover distribution from a traditional IRA, an SEP IRA, a qualified retirement plan, a 403(b) tax-sheltered annuity, a Governmental 457(b) plan or, after a two-year waiting period, SIMPLE IRA, but amount rolled over from the IRA or plan will be taxed as if rollover did not occur, except that the 10% penalty tax will not apply. | An SEP IRA may receive tax-free, eligible rollover distributions from another SEP IRA, a traditional IRA, a qualified retirement plan, a 403(b) tax-sheltered annuity, Governmental 457(b), or, after a two-year waiting period, a SIMPLE IRA. | A SIMPLE IRA may receive tax-free eligible rollover distributions from another SIMPLE IRA. After a two-year waiting period, a SIMPLE IRA may receive rollover distributions from a traditional IRA, an SEP IRA, a qualified retirement plan, or a Governmental 457(b). |

*[1] These are 2020 imits. The phase-out range for individuals using the married filing single filing status will remain an AGI of $0–$10,000.*
*[2] Apart from rollovers, contributions cannot be made to a Traditional IRA for any year the taxpayer will be age 70 ½ or older.*
*[3] Maximum eligible compensation: $285,000.*
*[4] Maximum account contribution, with employee and employer contributions: $57,000.*



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