

# What Is A Roth IRA?

A Roth IRA is a **personal savings vehicle** that offers certain tax benefits to encourage saving for retirement. A Roth is funded with after-tax dollars, so your contributions are not tax deductible on your federal income tax return. However, contributions may grow on a tax deferred basis. If certain requirements are met, **distributions are tax free!**

Roth IRA distributions that represent a return of **contributions** are always tax free. Distributions that represent **earnings** are tax free if you have had your Roth IRA for five years and also meet one of the following requirements: you are over age 59½; you are disabled; you are deceased; or the distribution is a qualified first-time home buyer distribution. Otherwise, distributions of earnings are subject to ordinary income tax, and if before age 59½, may be subject to a 10% penalty tax.

## Who is able to use a Roth IRA?

- You or your spouse must receive **taxable compensation** from wages or self-employment during the tax year.
- You must have **not already contributed the annual maximum** to a traditional IRA. Total contributions for all of your IRAs (traditional and Roth) cannot exceed \$6,000 for 2020 (\$7,000 if you're age 50 or older).
- You must be under the **modified adjusted gross income** limits: Roth IRA contributions are phased out at modified adjusted gross income of \$124,000 to \$139,000 (single), \$196,000 to \$206,000 (married filing jointly), and \$0 to \$10,000 (married filing separately). These limits apply to 2020, and are adjusted annually for inflation.

To learn more about Roth IRAs, consult your financial professional.

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