

Which is right for you?

Here's a side-by-side comparison of each IRA option and various factors you should keep in mind.

	Traditional IRA	Roth IRA
Tax deductibility	You may qualify for a tax deduction (credit) on your contributions if your household income doesn't exceed certain limits. (Please see table on page 1.) The maximum credit is 50% of your annual contribution, not to exceed \$2,000.	Contributions are made with after-tax money and aren't tax-deductible.
Tax-deferred/tax-free growth	Your earnings grow tax-deferred until withdrawn.	Your earnings grow tax-free if certain conditions are met (see below).
Withdrawals	Withdrawals are taxable, and those made before you reach age 59½ are subject to a 10% federal tax penalty unless you, as the IRA owner, qualify for one of the following exceptions: You're disabled You take withdrawals as substantially equal periodic payments The withdrawal is for payment of certain unreimbursed medical bills The withdrawal is for payment of health insurance premiums during a period of unemployment lasting at least 12 weeks The withdrawal is for payment of qualified education expenses The withdrawal is for the purchase of a first home (up to \$10,000 lifetime maximum) Withdrawals made by beneficiaries (after your death) are not subject to a 10% tax penalty.	Withdrawals of contributions can be made at any time without taxes or penalty. The withdrawal of earnings is always penalty-free and may also be tax-free if it has been at least five years since the initial contribution to the account and you, as the IRA owner, meet <i>one</i> of the following exceptions: You're age 59½ or older You're purchasing a first home (up to \$10,000 lifetime maximum) Withdrawals made by beneficiaries (after your death and the five-year investment period) are <i>not</i> subject to taxes or a 10% federal tax penalty.
Age limit for contributions	You may contribute to a traditional IRA if you're younger than age 70.	As long as your income meets the eligibility requirements, contributions may be made to a Roth IRA at any age.
Required minimum distributions (RMDs)	You must begin taking RMDs no later than April 1 of the year following the year in which you reach age $70^{1}/_{2}$.	You, as the IRA owner, are <i>not</i> required to take minimum distributions during your lifetime. Your beneficiaries, however, must begin taking minimum distributions immediately after your death.
Taxability of retirement plan rollovers	You may roll any non-Roth portion of your retirement plan account into a traditional IRA without tax consequences.	If you roll the non-Roth portion of your retirement plan account into a Roth IRA, it's a taxable event, but the amount is <i>not</i> subject to a 10% early withdrawal penalty.