



Flexible, Tax-Free Savings – Roth IRA



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Disclosures

All references to tax rules are for IRS federal taxes. The rules that apply to your state and local taxes may differ. Also, all tax rules are subject to change.

ICMA-RC does not provide specific tax advice.

What is a Roth IRA?

- ☑ Savings vehicle with tax advantages
- ☑ Complements your employer retirement plan
- ☑ Earnings may be **tax-free**¹
- ☑ Flexible withdrawal rules

¹ Earnings may be withdrawn tax- and penalty-free if you have owned a Roth IRA for at least a five-year period, as defined by the IRS, and have a qualifying event, including age 59 ½, a “first-time” home purchase, disability or death. Otherwise, ordinary income and penalty taxes may apply.
See IRS Publication 590.

Why a Roth IRA?

Retirement and beyond...

- Lower tax bill for ongoing expenses
- Travel
- Long-term or medical care
- Gifting, inheritance for loved ones

Earnings tax-free if

- over age 59½
- held for more than 5 years

Why a Roth IRA?

Flexibility – can withdraw contributions any time, no taxes or penalties

- Home purchase (earnings may be tax-free¹)
- College expenses (earnings may be penalty-free²)
- Wedding
- Emergency fund

Note: the sooner you withdraw,
the less potential tax-free growth.

¹ If qualifies as a “first-time” home purchase and have owned a Roth IRA for a five-year period. \$10,000 lifetime limit applies to Roth IRA earnings and all Traditional IRA withdrawals.

² Earnings withdrawn that are attributable to qualified higher education expenses may avoid penalty taxes, regardless of age or holding period.

Complements Your 457 Plan

Roth IRA	457 Plan
No tax benefit for contributions	Pre-tax contributions lower current year taxes ¹
Lower contribution limits (\$5,000; or \$6,000 age 50+)	Higher contribution limits (\$17,000; or \$22,500 age 50+)
No withdrawal restrictions	Withdrawal restrictions
Withdrawals may be tax-free	Penalty-free withdrawals upon separation, regardless of age ²
No RMDs, age 70½ +	

It's not either or; consider saving to both!

¹ If available, Roth contributions do not lower current year taxes but earnings may be withdrawn tax-free.

² A 10% penalty tax never applies to withdrawals of original 457 plan contributions and associated earnings, but may apply to non-457 plan assets that are rolled into a 457 plan and subsequently withdrawn prior to age 59½.

Why a Roth IRA

Your current vs. future taxes. Consider a Roth...

- If you'll be in a higher tax bracket when you withdraw
- To diversify your taxes – a source of tax-free income



A Roth can help you manage tax bills in retirement!

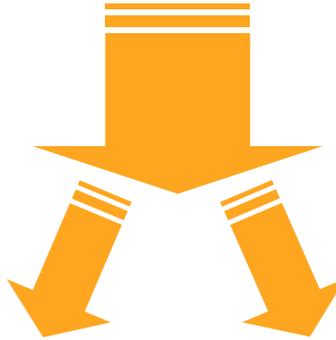
Income Eligibility

Contribution	Single Filers Income*	Married Joint Filers Income*
Full	< \$110,000	< \$173,000
Partial	\$110,000 – \$125,000	\$173,000 – \$183,000
None	> \$125,000	> \$183,000

* 2012 contribution limits. Based on modified adjusted gross income (MAGI), which is all your income subject to taxes minus certain deductions. See IRS Publication 590.

Simplify Your Contributions

For convenience



Access to Payroll
IRA at work?

Automatic transfer from
bank to IRA account?

You can make previous tax-year
contributions up until the tax filing deadline

Even Small Savings Add Up

Contribute \$25 per pay period...then increase \$5 per year...

After this many years...	10 Yrs	15 Yrs	20 Yrs	25 Yrs
Your account could be worth...	\$16,177	\$36,898	\$69,322	\$119,198

The combination of increased contributions *and* compounding earnings can go a long way

For illustrative purposes only. Assumes a 7% annual return – your actual return may be higher or lower – and \$25 biweekly contributions for the first year, with a \$5 yearly increases thereafter (\$30 biweekly the second year, \$35 the third year, etc.)

Roth Conversions

Can also move existing retirement assets to a Roth IRA



Consider partial conversions, to spread out tax bill.

Avoid paying taxes *out of* the converted assets.

Could also contribute to a Traditional IRA and then convert.²

¹ If subsequently withdraw converted Roth assets within a 5-year period and you are under the age of 59½, you may be subject to a 10% penalty tax. Note: each conversion carries its own 5-year period.

² No taxes owed on non-deductible Traditional IRA assets converted. However, per IRS rules, you cannot single them out. The tax-free percentage of the conversion is determined by dividing any non-deductible contributions by the total balance of *all* non-Roth IRA assets owned.

Investing in a Roth IRA

How to invest? Compare against other accounts

- Similar goals? Choose...
 - ✧ Similar risk but diversify with different investments
- Different goals? Choose...
 - ✧ Higher-risk if expect to withdraw late-retirement
 - ✧ Lower-risk if expect to withdraw sooner

Open a Roth IRA

- ☑ Open online – www.icmarc.org/ira
- ☑ Mail or fax application
- ☑ Your ICMA-RC representative can help every step
- ☑ View alongside other ICMA-RC accounts – statements, website

Family members are eligible, too!

Questions



- www.icmarc.org/ira
- IRS Publication 590 or www.irs.gov
- Your tax advisor