IRAs
Keeping You Informed

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Here Are Some Good Reasons To Open An IRA Today

- **Save Money On Your Taxes**
  If you are eligible, you may be able to deduct your contributions to a Traditional IRA for your current tax year and still reap tax-deferred earnings until withdrawals.
- **Tax-free Savings**
  Roth IRAs generate tax-free earnings when withdrawn, as long as the account has been maintained for 5 years and you meet certain other withdrawal conditions.
- **Diversification**
  IRAs can help to diversify your retirement portfolio. This is important since a lot of employer-sponsored plans may be heavily weighted in your company's stock or typically have limited options.
- **Longevity**
  Americans who retire are living longer, healthier lives. This certainly has resulted in the need to stretch or add to your retirement funds.

Allow us to help you secure a more comfortable retirement by assisting in your consideration of which type of IRA may be best for you. ■

Is a Roth IRA Right for Everyone?

Before-tax contributions and tax-deferred growth are key advantages of Traditional IRAs. However, there will be some who will benefit more from after-tax (Roth) contributions and tax-free growth.

A Roth IRA gives you tax-free access to some of your nest egg in retirement, allowing you to manage your tax situation and possibly prevent you from moving into a higher tax bracket.

Not everyone is eligible to contribute to a Roth IRA. Your income must not exceed the stated IRS limits *(see chart on page 3.)* ■

AT-A-GLANCE: Traditional & Roth IRA Contribution Limits

INDIVIDUAL Tax Year	Annual Contribution Limit	Annual Catch-Up Contribution Age 50 or Older	Maximum Annual Contribution Limit Age 50 or Older (Including Catch-Up)
2021; 2022	**$ 6,000**	**$ 1,000**	**$ 7,000**
MARRIED/ SPOUSAL Tax Year	Annual Contribution Limit	Annual Catch-Up Contribution Age 50 or Older	Maximum Annual Contribution Limit Age 50 or Older (Including Catch-Up)
2021; 2022	**$ 12,000** ($6,000 each)	**$ 2,000** ($1,000 each)	**$ 14,000** ($7,000 each)

Total yearly contributions that can be made by an individual to all IRAs (Traditional and Roth combined) is $6,000 ($7,000 if age 50 or older).

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Invest In Your Future

New Life Expectancy Means Smaller Required Distributions

You can look forward to somewhat smaller required minimum distributions (RMDs) from your IRA and company retirement savings plan beginning in 2022. The IRS released new life expectancy tables that are used to calculate RMDs. The tables were revised to reflect the fact that Americans are now living longer.

There are three life expectancy tables used for RMDs – the Uniform Lifetime Table, the Joint and Last Survivor Table, and the Single Life Table. The sample table shown to the right is the Uniform Lifetime Table, the most commonly used of three life expectancy charts that help retirement account holders calculate their annual mandatory distributions.

Ultimately, these life expectancy changes mean that smaller distributions will be required to be taken on an annual basis, resulting in less taxation and longer lasting account balances, creating more of an opportunity to grow the funds in the account.

For instance, the current Uniform Table Life Expectancy factor for a 73-year-old is 24.7 while the updated Uniform Table Life Expectancy factor for a 73-year-old is 26.5. The increase in the life expectancy factor from the updated table means a smaller RMD for an account holder. For example, assuming a prior year end IRA balance of $500,000, the old life expectancy factor of 24.7 results in an RMD of $20,242.91, while the new life expectancy factor of 26.5 results in an RMD of $18,867.92 – a $1,375 difference, which stays in the IRA to continue to potentially grow tax-deferred.

Important Reminder: RMDs reflect the amount required to be distributed. Owners and beneficiaries can always withdraw more than the required amount.

Note: The revised table starts at age 72 rather than 70. The regulations do not include Uniform Lifetime Table entries for ages 70 and 71 because section 114 of the SECURE Act changed the minimum age for receiving required minimum distributions from age 70½ to age 72. ■

Uniform Lifetime Table

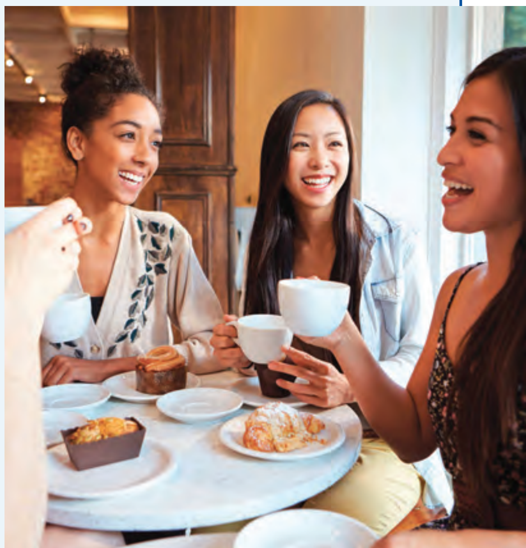
(EFFECTIVE JANUARY 1, 2022)

Age	Old Table Life Expectancy Factor	New Table Life Expectancy Factor	Difference for a $500,000 IRA
70	27.4	–	-$18,248
71	26.5	–	-$18,868
72	25.6	27.4	-$ 1,283
73	24.7	26.5	-$ 1,375
74	23.8	25.5	-$ 1,401
75	22.9	24.6	-$ 1,509
76	22	23.7	-$ 1,630
77	21.2	22.9	-$ 1,751
78	20.3	22	-$ 1,903
79	19.5	21.1	-$ 1,944
80	18.7	20.2	-$ 1,985
81	17.9	19.4	-$ 2,160
82	17.1	18.5	-$ 2,213
83	16.3	17.7	-$ 2,426
84	15.5	16.8	-$ 2,496
85	14.8	16	-$ 2,534
86	14.1	15.2	-$ 2,566
87	13.4	14.4	-$ 2,591
88	12.7	13.7	-$ 2,874
89	12	12.9	-$ 2,907
90	11.4	12.2	-$ 2,876
91	10.8	11.5	-$ 2,818
92	10.2	10.8	-$ 2,723
93	9.6	10.1	-$ 2,578
94	9.1	9.5	-$ 2,313
95	8.6	8.9	-$ 1,960
96	8.1	8.4	-$ 2,205
97	7.6	7.8	-$ 1,687
98	7.1	7.3	-$ 1,929
99	6.7	6.8	-$ 1,097
100	6.3	6.4	-$ 1,240

Invest In Your Own Security – Keep Your Personal Information Safe

- Before engaging with an email, text, or social media message, visit the company's website or call a trusted phone number to confirm the offer or request for information. Using look-alike websites, phishing emails, and SMS text phishing, attackers know how to make visual cues convincing enough where, at first glance, you would not know the difference.
- Companies you do business with already have your information and do not need to verify or confirm it. If there is a security breach, most companies contact their customers in writing to alert them of the breach.
- Never use a shared computer, someone else's phone or public Wi-Fi to log into important personal and financial information. Use a personal device via a trusted and secure network. Be mindful of shoulder surfing or eavesdropping when handling private information.
- Enable two-factor authentication for accounts that support this feature, increase the strength of user names and passwords, and enroll in email and text alerts.
- Limit the amount of personal family information that you share on social media and social networking.
- Confirm the accuracy of your contact information with financial service providers to ensure you can be reached quickly in the event of suspected fraud.
- Be skeptical if you are being pressured to act in haste.
- Stay vigilant. Review your financial accounts and your credit report on a regular basis to ensure no errors or irregularities are present. ■

TRADITIONAL vs. ROTH IRA COMPARISON CHART

Feature	Traditional IRA	Roth IRA
Deductibility of Contributions	**SINGLE TAXPAYER:** • Full deduction if you are not a participant in an employer-sponsored retirement plan, regardless of income. • Full deduction if you are a participant in an employer-sponsored retirement plan and your modified adjusted gross income (MAGI) is $66,000 or less (2021) and $68,000 or less (2022). *Deduction is phased out for MAGI between $66,000 and $76,000 (2021) & between $68,000 and $78,000 (2022).* **MARRIED TAXPAYER:** • Full deduction if neither person participates in an employer-sponsored retirement plan, regardless of income. • Full deduction if you and your spouse are participants in an employer-sponsored retirement plan and your joint tax return MAGI is $105,000 or less (2021) & $109,000 or less (2022). *Deduction is phased out for MAGI between $105,000 and $125,000 (2021) & between $109,000 and $129,000 (2022).* • Full deduction for non-active individuals (not a member of an employer-sponsored retirement plan) married to an active participant (a member of an employer-sponsored retirement plan) and your joint tax return MAGI is $198,000 or less (2021) & $204,000 or less (2022). *Deduction is phased out for MAGI between $198,000 and $208,000 (2021) & $204,000 and $214,000 (2022).* • Married filing separately and who do live together at any time during the tax year. If either spouse was an active participant in an employer-sponsored retirement plan, then each spouse can use a partial deduction for MAGI $0 - $10,000, or no deduction for MAGI $10,000 or more (2021 & 2022).	• Contributions are **not tax-deductible** and must be made with after-tax dollars. 
Eligibility	• Anyone with earned income equal to or greater than their IRA contribution amount.	• There are no age restrictions; however, there are income requirements and limits
Income Limits For Participation	• No limit for participation.	• **Year 2021:** Married filling jointly with joint MAGI of up to $198,000 & singles with MAGI up to $125,000. Contributions are phased out for couples between $198,000 and $208,000 & $125,000 and $140,000 for singles. • **Year 2022:** Married filling jointly with joint MAGI of up to $204,000 & singles with MAGI up to $129,000. Contributions are phased out for couples between $204,000 and $214,000 & $129,000 and $144,000 for singles.
Contribution Limits	• **Year 2021** – **$6,000;** Age 50 or over – **$7,000** • **Year 2022** – **$6,000;** Age 50 or over – **$7,000**	• **Year 2021** – **$6,000;** Age 50 or over – **$7,000** • **Year 2022** – **$6,000;** Age 50 or over – **$7,000**
Taxability of Earnings	• Earnings are tax-deferred. (See taxability of withdrawals)	• Earnings may be tax-free. (See taxability of withdrawals)
Age Limit For Contributions	• No age limit for contributions.	• No age limit for contributions, in some states. The state law for signing contracts in PA is 18 and the IRA application is considered a legal contract. Check your state laws for details.
Mandatory Distributions	• Distribution is required each year once you reach age 72. (70½ if you reached 70½ before January 1, 2020)	• No required minimum distribution at any age.
Taxability of Withdrawals	• Earnings and any deductible contributions are taxable. • Earnings are taxable and contributions are tax-free for nondeductible contributions. • When withdrawing a combination of both deductible and nondeductible contributions, only a portion of the nondeductible contribution is tax-free. Check with your tax advisor.	• Tax-free withdrawals of your contributions are permitted at any time. Tax-free withdrawals of earnings are permitted after age 59½, or in the event of death or total disability, or as a qualified first-time home buyer (up to $10,000). Earnings must have remained in the account for a period of five successive tax years to be tax-free.
Penalty For Early Withdrawal	• You will be subject to an early distribution penalty tax on any taxable amount withdrawn before age 59½, unless a penalty exception applies. The 10% early distribution penalty tax does not apply if you qualify for a penalty exception: death, total and permanent disability, certain medical expenses, certain health insurance costs, higher education expenses, first-time home expenses up to $10,000, qualified birth or adoption expenses up to $5,000, substantially equal periodic payments, IRS tax levy, qualified military reservist distributions.	• Penalty tax-free withdrawals of your contributions are permitted at any time. Earnings are subject to a 10% penalty prior to age 59½, unless exception applies. The 10% early penalty tax does not apply if the individual is deceased, disabled, for higher education expenses, first-time home purchase ($10,000 lifetime limit), qualified birth or adoption expenses (up to $5,000), IRS tax levy, qualified military reservists, if taking substantially equal periodic payments and certain medical expenses.

Ages and Dates to Keep In Mind Before and After Retirement

To make the most of your IRA benefits, you need to meet deadlines. If you don't take action within the cutoff dates, you could miss out on benefits or trigger penalties and fees.

Ages to factor into your IRA planning

Age 50

- You're now eligible to make "catch-up" contributions to IRAs, 401(k)s, and other employer-sponsored retirement plans.

Age 59½

- Once you reach age 59½, withdrawals from employer-sponsored retirement plans and IRAs are no longer subject to the 10% early withdrawal tax, though you still may owe regular income tax on the distributions.

Age 65

- Apply for Medicare.

Age 70

- Claim your Social Security benefits if you haven't already. If you've waited until your 70th birthday to begin taking Social Security, you'll now get the biggest possible monthly benefit, which may be as much as 77% larger than if you had started receiving payments at age 62. Any further delay in beginning payments won't increase benefit amounts.

Age 70½

- For most retirement accounts, if you reached age 70½ before January 1, 2020, continue taking required minimum distributions (RMDs).

Age 72

- If you reached 70½ on or after January 1, 2020, begin taking RMDs.

IRA Fast Fact

You can deduct 100% of your contributions to a Traditional IRA regardless of your income level if neither you or your spouse is an active participant in an employer-sponsored retirement plan.

Dear Ira,

If I made regular contributions to a Roth IRA and have converted a Traditional IRA to my Roth IRA account, how do I determine which order applies to distributions?

The IRS rules consider withdrawals in the following order:

- Roth IRA contributions
- Roth IRA conversions and rollover contributions (each conversion requires a separate five-year holding period)
- Earnings

I would like to help my grandchildren by starting a Roth IRA for them. How do I start this process?

First of all, understand that you can't start a Roth IRA for any of the children unless they have earned the amount of money you want to contribute. It doesn't necessarily mean they have to put the money in, but if you want to put $1,000 into a Roth, they must have earned and reported $1,000 in income. ■

Key Calendar Dates

January 1

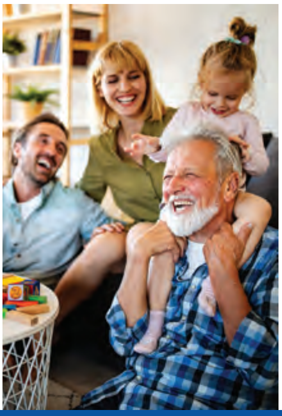
- First day to contribute funds to your IRA.

April 1

- If you are the account owner and you turned age 72 last year, this is the deadline for taking your first required minimum distribution from your tax-deferred retirement accounts. All subsequent RMDs must be taken by December 31.

April 15

- The federal tax filing deadline for tax returns. Even if you file for a six-month extension, you'll need to pay any tax due by this date.
- The deadline for making IRA contributions for a given tax year is typically April 15 of the following year.



October 15

- Deadline if you filed an extension on your federal return.

December 31

- RMDs from retirement accounts (except for the first one) must be taken by December 31 each year to avoid 50% tax penalty on the amount that should have been withdrawn. ■

IMPORTANT NOTE: *The information contained in this newsletter is not intended to provide specific advice or recommendations for any individual. We suggest that you consult your attorney, accountant, tax or financial advisor with regard to your personal situation.*