IRAs

Keeping You Informed

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IRA Newsletter

When Do I Have to Start Taking RMDs From My Traditional IRA?

You do not have to take RMDs right at retirement. The Secure Act 2.0 increased the required minimum distributions (RMDs) to age 73, effective January 1, 2023. So for those who turn 73 in 2023 through 2032, the starting age for RMDs is 73. The first RMD can be delayed until April 1 of the year following the year you turn 73, but then the second payment must be taken by December 31 of the same year. Whether the first payment is delayed until the following year is determined by an individual's situation.

The starting age will jump to age 75 effective January 1, 2033. ■

IRA Contribution Limits Get a Boost in 2024

The IRS announced it was raising the IRA annual contribution limit to $7,000 in 2024 (up from $6,500 for 2023). For people 50 and older, you can contribute an additional $1,000 on top of that, for a total of $8,000 in 2024. ■

IRA Fast Fact

IRAs are federally insured separately from your other non-IRA accounts for $250,000.

Snapshot of a Rollover IRA

A rollover IRA is an account created by transferring funds from a previous workplace savings plan into a Traditional IRA.

- **Who is eligible for a rollover IRA?** Anyone who has a workplace retirement plan from a previous employer, including 401(k), 403(b) and 457 plans.
- **Rollover IRA annual contributions/limits:** You can rollover all or a portion of your retirement plan account, with some exceptions, such as RMDs or loans. ■

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Invest In Your Future

Protecting Your Personal Information Is an Investment in Your Own Security

- Store sensitive documents (tax returns, Social Security cards, birth certificates, and passports) and files containing important information in a secure location.
- Shred private documents you no longer need and dispose of computers, smartphones, and tablets in a secure, environmentally sound fashion.
- Be aware of suspicious links and attachments that may contain malicious software that can compromise your computer's security. Do not respond to any emails, text messages, or voicemails that request personal or financial information.
- Confirm the accuracy of contact information with financial service providers to ensure you can be reached quickly in the event of suspected fraud.

- Always use a strong password and keep them confidential.
- Never use a shared computer, someone else's phone or public wi-fi to log into accounts with important personal and financial information. Use a personal device via a trusted and secure network.
- Limit the amount of personal family information that you share on social media and social networking.
- When possible, enable two-factor authentication for accounts, increase the strength of user names and passwords, and enroll in email and text alerts.
- Review your financial accounts and your credit report on a regular basis to ensure no errors or irregularities are present.

The Federal Trade Commission says acting sooner increases your chance of successful recovery of any funds lost. Report internet crime to the FBI (**ic3.gov**) and refer identity theft complaints to local authorities and the FTC (**ftc.gov**). ■

Consider a Roth IRA for Minors With Eligible Compensation

A Roth IRA for kids allows minors to contribute after-tax dollars toward retirement with a parent or adult assigned as a custodian who manages the assets.

- **Who is eligible?** Any minor with earned income.
- **Annual contributions limits:** The lesser of $7,000 for tax year 2024 (or $6,500 for tax year 2023) or the total amount of money earned during the year.
- **Tax details:** Subject to all Roth IRA tax rules. When the minor reaches the legal age in their state, usually 18 or 21, account ownership converts to them. The minor is eligible to withdraw contributions without penalty, but taxes and penalties may apply if they tap into the earnings before age 59½.

Consider a Roth IRA if you have or are a minor who wants to get a jump start on retirement savings to take advantage of tax-free growth on earnings. ■

If You Think You May Be in a Higher Tax Bracket During Retirement, a Roth IRA May Be Right for You

Here's A Quick Look:

A Roth IRA is a retirement account in which you invest after-tax money. While contributions are not deductible, your money grows and can be withdrawn tax-free.

- **Who is eligible for a Roth IRA?** Eligibility is based on income level (see the IRA comparison chart on page 3 for "Income Limits for Participation").
- **Roth IRA annual contributions limits:** $7,000 for tax year 2024 (up from $6,500 for tax year 2023), with an additional $1,000 catch-up contribution if you're age 50 or older.
- **Roth IRA tax details:** You're eligible for tax-free and penalty-free early withdrawals on what you've contributed at any time. But, if you're under age 59½ (and haven't owned the account for at least five years) and you withdraw ***earnings*** on your contributions, you may be subject to taxes and withdrawal penalties on that amount.

  A Roth IRA is not subject to the same RMD rules as tax-deferred retirement accounts. The IRS does not require you to take RMDs on your Roth IRA.

IRA insight: A Roth IRA might be right for you if you expect to be in a higher tax bracket during retirement. Save as much as you can and keep your Roth IRA contributions invested for as long as you can. Even if you need to tap into them, you're still saving for retirement. ■

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 $73,000 or less (2023) & $77,000 or less (2024). *Deduction is phased out for MAGI between $73,000 and $83,000 (2023) & between $77,000 and $87,000 (2024).* **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 $116,000 or less (2023) & $123,000 or less (2024). *Deduction is phased out for MAGI between $116,000 and $136,000 (2023) & between $123,000 and $143,000 (2024).* • 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 $218,000 or less (2023) & $230,000 or less (2024). *Deduction is phased out for MAGI between $218,000 and $228,000 (2023) & $230,000 and $240,000 (2024).* • Married filing separately and who 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 (2023 & 2024).	• 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 2023:** Married filling jointly with joint MAGI of up to $218,000 & singles with MAGI up to $138,000. Contributions are phased out for couples between $218,000 and $228,000 & $138,000 and $153,000 for singles. • **Year 2024:** Married filling jointly with joint MAGI of up to $230,000 & singles with MAGI up to $146,000. Contributions are phased out for couples between $230,000 and $240,000 & $146,000 and $161,000 for singles.
Contribution Limits	• **Year 2023** – **$6,500;** Age 50 or over – **$7,500** • **Year 2024** – **$7,000;** Age 50 or over – **$8,000**	• **Year 2023** – **$6,500;** Age 50 or over – **$7,500** • **Year 2024** – **$7,000;** Age 50 or over – **$8,000**
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	• For those who turn 73 in 2023 through 2032, the starting age for RMDs is 73.	• 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.

Do You Need to Update Your IRA Beneficiaries?

Don't forget to review your beneficiaries if you've had major life changes such as children, marriage or divorce since you first established your retirement account.

It's important to name the correct beneficiaries to avoid probate. Ensuring you have selected your preferred beneficiaries is crucial, as the designated beneficiaries of retirement accounts supersede your will. ■

There's Still Time, but Early Is Better!

Among all of the factors that influence your retirement savings, you often have the most control over how much you invest and when you start investing. Although you may contribute to your IRA until the due date of your tax return for the previous tax year (generally April 15), you will earn more on your invested dollars by making your contribution as early in the tax year as possible to maximize the compounding effect on your assets. You can begin making 2024 contributions as soon as January 1, 2024. ■

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,

What happens if I contribute too much to my IRA?
Contributing more than the annual IRA contribution limits allowed can trigger a 6% penalty. In most cases, you can remove the extra funds, but you may still owe a penalty. If you overcontribute to a Traditional IRA, you may also owe additional taxes on your withdrawals. For the best outcome, consider talking to a tax advisor about your specific situation.

Can I contribute to an IRA once I've retired?
In most cases, you must have earned income to contribute to an IRA. So if you're completely retired, you won't be eligible. One exception is a spousal IRA, which allows a non-working spouse to contribute to an IRA as long as the other spouse is still working and they file a joint return.

How are required minimum distributions taxed?
The IRS taxes RMDs as ordinary income, and it will count toward your taxable income for the year, except for any after-tax contributions. RMDs are subject to applicable federal income tax rates and may also be subject to state and local taxes. ■

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)
2023	**$ 6,500**	**$ 1,000**	**$ 7,500**
2024	**$ 7,000**	**$ 1,000**	**$ 8,000**

MARRIED/ SPOUSE Tax Year	Annual Contribution Limit	Annual Catch-Up Contribution Both Age 50 or Older	Maximum Annual Contribution Limit Both Age 50 or Older (including Catch-Up)
2023	**$ 13,000** ($6,500 each)	**$ 2,000** ($1,000 each)	**$ 15,000** ($7,500 each)
2024	**$ 14,000** ($7,000 each)	**$ 2,000** ($1,000 each)	**$ 16,000** ($8,000 each)

2023* **Total yearly contributions that can be made by an individual to all IRAs (Traditional and Roth combined) is $6,500 ($7,500 if age 50 or older).**

2024* **Total yearly contributions that can be made by an individual to all IRAs (Traditional and Roth combined) is $7,000 ($8,000 if age 50 or older).**

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.*