IRAs
Keeping You Informed

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IRA Newsletter

Update Your Beneficiaries After Major Life Changes

Life changes such as birth, marriage, and death are inevitable. And when changes occur, your current beneficiary choices – who will inherit your life insurance, pension, IRAs, etc. – may need to be updated.

Take time now to review your beneficiaries. You should select both primary and contingent beneficiaries. Contingent beneficiaries will inherit if the primary beneficiaries precede you in death. If you name your spouse as beneficiary, you can avoid income and estate taxes. Additionally, your spouse can rollover your retirement account to his or her own IRA. ■

There's Still Time

Make your IRA contributions today. Any time is a good time to save, but investing earlier can maximize the compounding effect on your assets. You can begin making 2023 contributions as soon as January 1, 2023. And remember, you have until April 18, 2023, to make IRA contributions for the tax year 2022. ■

Higher Contribution Limits in 2023

When it comes to retirement savings, investing as much as you can, as early as you can, is the ideal strategy. After several years without an increase to the Traditional and Roth Individual Retirement Account (IRA) regular contribution limit, there will be a $500 increase. In 2023, eligible individuals can contribute up to $6,500. (The IRA catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment and remains $1,000.) ■

IRA Fast Fact

Required minimum distributions (RMDs) from a Traditional IRA, SEP IRA, SIMPLE IRA, or retirement plan account are required when you reach age 73[1]

[1]effective January 1, 2023

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Invest In Your Future

Know the Difference Between Rollovers & Transfers

What are Rollovers & Transfers

Rollovers and transfers are both ways to move retirement assets from one plan to another. In a rollover, you take receipt of your funds before depositing them in another account. In a transfer, your funds are moved directly from one trustee to another.

ROLLOVERS

What are the rules governing rollovers?

There are a number of rules you must follow to achieve a tax-free rollover of IRA funds:

- You must deposit the funds into another IRA within 60 days of the date you receive them. If you keep any of the funds, that portion of the money is taxable and may be subject to an IRS penalty on early distributions, unless it represents the return of a nondeductible contribution.
- Beginning January 1, 2015, you can make only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs a taxpayer may own. You can, however, continue to make as many trustee-to-trustee transfers between IRAs as you want.
- If you are age 73[1] or older when you take funds from your IRA, you cannot rollover your minimum required distribution for the year. If you do, the amount of your minimum required distribution will be considered an excess contribution to your new IRA and may be subject to an IRS penalty.
- You will have to document your rollover transaction when you file your federal taxes, even though it is not a taxable transaction. This is true because the trustee or custodian of the IRA from which the funds were disbursed is required to report the amount of the distribution to the IRS. Therefore, you must show the IRS that you rolled these funds over within the required 60-day limit.

TRANSFERS

What are the rules governing transfers?

Transfers are somewhat easier than rollovers.

- You can transfer all or part of an existing IRA to a new account.
- The transaction is not reported to the IRS, so there's no additional documentation on your federal income tax return.
- Since there is no limit on the number of transfers you can make within a 12-month period, you can time transfers of Certificates of Deposit and similar investments to match maturity dates, thus avoiding loss-of-earnings penalties.

Does a transfer or rollover affect current contributions to an IRA?

Transferring or rolling over funds from one account to another does not affect the amount of your annual IRA contribution. You may still contribute the full amount allowed by law.

DIRECT ROLLOVERS & DISTRIBUTIONS

From Qualified Pension Plans

If you receive a lump sum distribution from a qualified pension plan, you may be able to roll those funds over into an IRA and, thereby, keep them growing tax-deferred until you really need them. If you choose not to rollover all or any portion of your distribution, the portion you do not rollover may be taxable and subject to an IRS early distribution penalty of 10%. It will also be subject to mandatory federal income tax withholding of 20%. Qualified retirement plans include pension, profit sharing, 401(k), stock bonus, Keogh and 403(b) plans.

You may receive a distribution from a qualified plan because:

- you leave your current employer, voluntarily or involuntarily (this does not apply to self-employed persons, unless you are disabled).
- the plan is terminated.
- you reach age 59½.
- you become totally and permanently disabled (this applies only if you are self-employed).
- you receive ownership of a qualified retirement plan account from a former spouse under a qualified domestic relations order.
- your spouse dies and you inherit the funds in his or her qualified retirement plan.

Which distributions are eligible for rollover?

Generally, you can rollover all taxable distributions you receive from a qualified plan, including employer contributions, earnings and deductible employee contributions. Distributions that are not eligible for rollover include:

- Substantially equal payments made systematically (at least annually) over your life expectancy or over the joint life expectancy of you and your beneficiary or over a specified period of 10 or more years.
- Required minimum distributions made after you reach age 73[1].

How do you rollover a lump sum distribution?

You can rollover from a qualified plan in one of two ways:

- **Direct rollover** – the funds from your qualified plan account are sent directly to the trustee or custodian of your IRA.
- **Distribution to you** – you have 60 days to redeposit the distribution as a rollover. If you choose this option, however, be aware that the administrator of the qualified plan is required by law to withhold 20% of your distribution for federal taxes. That can have a significant financial impact on you. ■

Managing Your Drawdown in Retirement

Managing the drawdown process correctly can add years to the longevity of a retirees' savings aiming to maximize growth and minimize taxes.

Generally, spend down assets in the following order:

1. **Taxable Accounts**
2. **Tax-deferred Accounts** (from Traditional IRAs or 401(k) and other employer plans)
3. **Tax-free Accounts** (from Roth IRAs)

TAXABLE ACCOUNTS

The first places you should generally withdraw from are your taxable brokerage accounts – your least tax-efficient accounts subject to capital gains and dividend taxes. By using these first, you give your tax-advantaged accounts (IRA, Roth IRA) more time to grow and compound. Brokerage accounts will never grow as quickly as tax-advantaged accounts because they are subject to the annual drag of taxation on interest, dividends, and capital gains.

TAX-DEFERRED ACCOUNTS

Your next source of earnings to draw from should be tax-deferred retirement accounts created with pre-tax contributions, such as Traditional IRAs or employer-sponsored 401(k) plans. Growth of these assets is tax-deferred and withdrawals may be fully taxable at current income tax rates, it is often better to let these investments accumulate as long as possible. Keep in mind that once you turn 73[1] years old, you'll be required to take minimum distributions (RMDs) from both accounts.

TAX-FREE ACCOUNTS

Assets from accounts created with after-tax contributions, such as Roth IRAs, should remain untouched for as long as possible. Not only is any growth in assets tax-deferred, they will be tax-free if the withdrawal is taken from an account that has been held at least five years and the owner is over age 59½.

Unlike Traditional IRAs and 401(k)s, you are never required to take minimum distributions from your Roth. That means your portfolio can continue compounding tax-free as long as you want (unless future laws change).

It's not as easy as pulling from the above types of accounts one, two, three – there are caveats. The best way to be sure you're maximizing the longevity of your accounts is to work with a financial advisor. Being aware of the tax consequences of drawing down assets from your accounts can potentially provide you with greater income in retirement. Therefore, developing a tax-efficient withdrawal strategy ahead of time may help bring you closer to achieving the lifestyle you desire. ■

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 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**). ■

IRA Fast Fact

IRAs are federally insured separately from your other non-IRA accounts for $250,000.00

The Magic of Compounding

Compounding investment earnings is what can make even small investments become large investments given enough time.

How It Works

The money you save earns interest. Then you earn interest on the money you originally save, plus on the interest you've accumulated. As your savings grow, you earn interest on a bigger and bigger pool of money.

For example, the value of $1,000 compounded at various rates of return over time is shown in the following chart:

Years	4%	6%	8%	10%
10	$1,481	$1,791	$ 2,159	$ 2,994
20	$2,191	$3,207	$ 4,661	$ 6,728
30	$3,243	$5,743	$10,063	$17,449

Start Saving Early

For every 10 years you delay before starting to save for retirement, you will need to save three times as much each month to catch up.

Starting At Age 20

If you put $1,000 a year into an IRA every year from age 20 through age 30 (for 11 years) and stop – and the account earns seven percent annually – your savings will equal $168,514 at age 65.

Starting At Age 30

If you don't start until age 30, but save the same $1,000 amount annually but for 35 years straight at the same seven percent rate, you will have saved three times as much money but your account will grow to only $147,913 at age 65.

Source: U.S. Dept. of Labor ■

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.

Couples Can Maximize Their Savings With a Spousal IRA

What is a spousal IRA? To contribute to a Traditional or Roth IRA, you typically must have earned income. Spousal IRA contributions eliminate that requirement, allowing an individual with limited or no earnings to save for retirement on a tax-advantaged basis based on the earnings of his or her spouse.

To be eligible, the couple must be married and file their taxes jointly. Their combined earnings must be equal to or exceed their combined IRA contributions, up to the annual contribution limits.

Spousal contributions to an IRA are not considered a joint account, but a separate IRA opened, and owned, in the name of the non-working spouse.

This IRA has the same annual contribution limits as other IRAs – $6,500 in 2023, plus an additional $1,000 catch-up contribution if the account owner is age 50 or older. As long as at least one member of a couple is earning income, there is no age limit on IRA contributions. The account can be a Traditional or Roth IRA, although there are income limits for contributions to a Roth IRA.

Spousal IRA contributions can play an important role in a retirement savings plan by enabling a non-working spouse to keep accumulating their own retirement savings during a period when they are out of the workforce. ■

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)
2022	**$ 6,000**	**$ 1,000**	**$ 7,000**
2023	**$ 6,500**	**$ 1,000**	**$ 7,500**

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)
2022	**$ 12,000** ($6,000 each)	**$ 2,000** ($1,000 each)	**$ 14,000** ($7,000 each)
2023	**$ 13,000** ($6,500 each)	**$ 2,000** ($1,000 each)	**$ 15,000** ($7,500 each)

2022* **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).**

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).**