IRAs: One size doesn't fit all **–actually**

Did you know...

Approximately **2** out of every **5** households in America **(39.3%)** invest in an IRA.

Source: Investment Company Institute and U.S. Census Bureau, "Fundamentals," Vol. 19, No. 3-Q2, 2010

Individual Retirement Accounts, or IRAs, have come a long way since first introduced. But what has remained constant is that retirement is something you have to plan for. And IRAs remain an attractive way to complement other retirement savings accounts, such as your retirement plan.

When the IRA was first introduced in 1974, there was only one type, and the most you could contribute was $1,500 a year. Boy how things have changed. Today there are several types of IRAs. Two of the most popular are Traditional and Roth IRAs.

What they share and how they differ from one another

Traditional and Roth IRAs share several features:

- You can contribute a maximum of $5,000 ($6,000 if age 50 or older) of earned income per year in a Roth IRA, a Traditional IRA or split between the two.
- Earnings grow tax deferred (Roth withdrawals however, come out potentially income tax free).
- Both savings vehicles offer a wide assortment of investment options, including stocks, bonds and mutual funds.

Perhaps the biggest difference is how contributions and withdrawals are treated.

Generally, Traditional IRA contributions may be tax deductible, which means money is subtracted from your annual earned income, reducing your annual income taxes. Depending on your income and if you are "covered" by a plan at work, your deductions for contributions to a Traditional IRA are reduced (phased out). For more information, visit **www. irs.gov**.

Roth contributions are not tax deductible. But earnings and contributions can be withdrawn income tax-free (provided you follow Roth IRA rules). In other words, with a Roth IRA, the tax break doesn't come when money goes in, but when money is taken out.

The two retirement savings vehicles also differ in terms of when investors are required to withdraw money.

With traditional IRAs, investors must begin drawing down their assets by age 70½, regardless of whether they need the income.

Roth IRAs have no such rule. You can leave your money invested indefinitely, during your lifetime.

Who should invest in what?

Determining which IRA is best for you can depend on such factors as your investment time frame, annual income, marital status, other retirement assets you may have accumulated, and what tax bracket you expect to be in once you retire. You may also want to consider having access to both taxable income (for example, withdrawals from a Traditional IRA) as well as tax-free withdrawals (withdrawals from a Roth IRA) for what's sometimes called "investment tax diversification" in retirement. This could help you control how much retirement income is taxed and how much is not.

Before deciding, consider talking to a trusted tax or financial advisor.

Education and information—when you need it!

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Amounts withdrawn before age 59½ may be subject to a 10% federal income tax penalty, and applicable taxes. Withdrawals are taxed at ordinary income tax rates.

Keep in mind that application of asset allocation and diversification concepts does not assure a profit or protect against loss in a declining market. **It is possible to lose money by investing in securities.**

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