

ROTH IRA

Discover the
Benefits of a
Roth IRA

INDIVIDUAL RETIREMENT ACCOUNT

What is a Roth IRA?

A Roth IRA is an individual retirement account that allows **nondeductible contributions** but features **tax-free** withdrawals for certain distribution reasons after a five-year holding period.

The term “tax-free” means free from federal income taxes.

Am I Eligible for a Roth IRA?

There are two requirements for eligibility to make regular contributions to a Roth IRA: you must have compensation (or your spouse must have compensation) and your modified adjusted gross income (MAGI) for any tax year cannot exceed certain prescribed limits. These limits are subject to annual cost-of-living adjustments (COLAs), if any.

| 2011 MAGI LIMITS | | | |
|-----------------------|-------------------|-------------------------|-----------------------------|
| Modified AGI (MAGI) | Single | Married, Filing Jointly | Married, Filing Separately* |
| Less than \$10,000 | Full Contribution | Full Contribution | Phaseout |
| \$ 10,000 - \$107,000 | Full Contribution | Full Contribution | No Contribution |
| \$107,001 - \$121,999 | Phaseout | Full Contribution | No Contribution |
| \$122,000 - \$169,000 | No Contribution | Full Contribution | No Contribution |
| \$169,001 - \$178,999 | No Contribution | Phaseout | No Contribution |
| \$179,000 or over | No Contribution | No Contribution | No Contribution |

**If you are married, filing separately, and lived apart from your spouse the entire year, you can use the MAGI limit for a single filer to determine your contribution limit.*

| 2012 MAGI LIMITS | | | |
|-----------------------|-------------------|-------------------------|-----------------------------|
| Modified AGI (MAGI) | Single | Married, Filing Jointly | Married, Filing Separately* |
| Less than \$10,000 | Full Contribution | Full Contribution | Phaseout |
| \$ 10,000 - \$110,000 | Full Contribution | Full Contribution | No Contribution |
| \$110,001 - \$124,999 | Phaseout | Full Contribution | No Contribution |
| \$125,000 - \$173,000 | No Contribution | Full Contribution | No Contribution |
| \$173,001 - \$182,999 | No Contribution | Phaseout | No Contribution |
| \$183,000 or over | No Contribution | No Contribution | No Contribution |

**If you are married, filing separately, and lived apart from your spouse the entire year, you can use the MAGI limit for a single filer to determine your contribution limit.*

Tax Savings Tax-Free Earnings and Retirement Security

How Much Can I Contribute Each Year?

You may contribute any amount up to 100 percent of your compensation or the amount set forth in the chart that follows, whichever is less, aggregated between a traditional and a Roth IRA. Additionally, if you have attained age 50 or older by the end of your taxable year, you are eligible to make catch-up contributions.

| CONTRIBUTION LIMITS | | | |
|----------------------|--------------------|----------------|---------------------------------|
| Tax Year | Contribution Limit | Catch-up Limit | Total Limit for Age 50 and Over |
| 2011 | \$5,000 | \$1,000 | \$6,000 |
| 2012 | \$5,000 | \$1,000 | \$6,000 |
| 2013 and later years | \$5,000 + COLA* | \$1,000 | \$6,000 + COLA* |

**Subject to annual cost-of-living adjustments (COLAs), if any.*

What is the Contribution Deadline for Funding a Roth IRA?

For a given taxable year, you can open and fund a Roth IRA any time between January 1 and the date your tax return is due for the year, excluding extensions. For most taxpayers, this is April 15 of the following year. The deadline may be extended in some situations. Examples include a federally declared disaster, a terroristic or military action, or service in a combat zone.

What Assets Can I Move to a Roth IRA?

- **Traditional IRA**—Traditional IRA assets may be converted to a Roth IRA. The distribution is subject to income tax, but is not subject to the 10 percent early-distribution penalty tax.
- **Employer Plan**—Eligible assets from an employer plan may be rolled over or directly rolled over to a Roth IRA. The taxable portion of the amount rolled over is subject to income tax.

- **Designated Roth Account**—Assets in a designated Roth account that are part of an Internal Revenue Code Section 401(a), 403(b), or governmental 457(b) plan may be rolled over or directly rolled over to a Roth IRA and are not subject to income tax.

What if I Need Access to My Money Now?

A helpful feature of the Roth IRA is that, for distributions, regular contribution amounts are returned first without tax or penalty. Converted assets and rollovers from employer plans are returned next. Earnings are returned last.

Do I Pay Taxes on My Earnings?

No, provided you take the earnings as part of a qualified distribution. That's the best part of the Roth IRA. Unlike a traditional IRA, you cannot take a tax deduction for any of the contributions that you make to a Roth IRA. However, when you are ready to make a withdrawal, you pay no taxes on any of the earnings that your contributions have generated.

What is a Qualified Distribution?

In order for earnings to be tax free, you must first meet a five-year holding period for your Roth IRA. This period begins with the tax year for which your first contribution is made. After that, any earnings you withdraw for a qualified distribution reason are income tax free and penalty tax free. Qualified distributions are:

- Distributions made on or after the date on which you attain age 59½,
- Distributions made to your beneficiary (or your estate) upon your death,
- Distributions attributable to you being disabled, and
- Qualified first-time home buyer distributions (up to \$10,000).

Does the 10 Percent Early-Distribution Penalty Tax Apply if I Withdraw My Money?

Distributions of earnings not taken as a qualified distribution, or for one of the reasons listed below, are subject to both taxes and a 10 percent early-distribution penalty tax.

Distributions of assets converted from an IRA or assets rolled over from an employer plan that are not taken as a qualified distribution, after the five-year holding period, or for one of the reasons listed below, are subject to the 10 percent early-distribution penalty tax.

- Substantially equal periodic payments,
- Qualified reservist distributions,
- Eligible medical expenses in excess of 7.5 percent of your adjusted gross income (AGI),
- Health insurance premiums for eligible unemployed individuals,
- Qualified higher education expenses,
- Distributions taken within the first five years for any of these reasons: age 59½, death, disability, or first-time home purchase, and
- Distributions paid directly to the IRS due to IRS levy.

When Do I Have to Start Taking Distributions From My Roth IRA?

You never have to take distributions from your Roth IRA. That's another advantage of the Roth IRA over the traditional IRA. Assets held in a Roth IRA are not subject to age 70½ required minimum distributions.

What Happens in the Event of My Death?

Your named beneficiary(ies) will receive the rights to the balance in your Roth IRA. Distributions to the beneficiary(ies) will be made in accordance with the required minimum distribution rules and your Roth IRA agreement.

How Do I Open a Roth IRA?

See any of our IRA representatives. We will explain the nature of these accounts in more detail, and help you complete the forms necessary to establish your Roth IRA.

This brochure is intended to provide general information on federal tax laws governing Roth IRAs. It is not intended to provide legal advice or to be a detailed explanation of the rules or how such rules may apply to your individual circumstances. For specific information, you are encouraged to consult your tax or legal professional. IRS Publication 590, Individual Retirement Arrangements (IRAs), and the IRS's web site, www.irs.gov, may also provide helpful information.