

**"All who have accomplished great things have had a great aim and have fixed their gaze on a goal that is high--one that sometimes seems impossible."**

*-- Orison Swett Marden, Motivational Writer*

Tax Tip – April 5, 2017

Retirement

Part 2 of 3

Individual Retirement Accounts (IRAs)

You must have earned income in order to contribute to an IRA. Exception: couples who file jointly. If neither you nor your spouse is covered by a qualified employer-sponsored plan, you can contribute to an IRA and jointly exclude from current tax up to $11,000 (or $13,000 if both are age 50 or older) of current income, even if one spouse does not work. (Spouses cannot contribute more than their combined earned incomes.) If either spouse participates in a qualified employer-sponsored plan, contribution deductibility is subject to MAGI limits (see chart below). Premature withdrawals (before age 59½) from IRAs are subject to a 10% penalty plus regular income tax so avoid dipping into tax-favored accounts whenever possible.

Parents can contribute to IRAs for their dependents, but the dependent must have earned income equal to or greater than the contribution amount.

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| Is My IRA Contribution Deductible? | | | |
| Plan at Filing 2016 IRA  work Status MAGI Deduction | | | |
| You are  covered by  retirement plan  at work | Single  and HH  MFJ | $61k or less  $61k-$71k  $98k or less  $98k-$118k | Full  Partial  Full  Partial |
| Neither you nor your spouse is covered | Single  And HH  MFJ | No limits    No limits | Full    Full |
| You’re not covered by retirement plan at work but your spouse is | MFJ  MFS | $184k or less  $184k-$193k  Special rules  apply | Full  Partial |
| - IRA deduction is up to contribution limit.  - MAGI ranges not listed are ineligible for a deduction. | | | |

Roth IRAs

Contributions to Roth IRAs are made with after-tax money and, therefore, are not deductible. You must have earned income equal to or greater than the contribution amount. Direct contributions (not rollovers or conversions) can be withdrawn at any time without tax or penalty but not so for earnings. They must be in the account for at least five years and you must be age 59½ or older in order to withdraw them tax- and penalty-free. There are some exceptions with strict guidelines: first home purchase; disability; education. Seek advice.

The greatest benefits of Roth IRAs may be in transferring wealth to heirs. A Roth IRA is not subject to minimum withdrawals (or a ban on contributions) at age 70½ and may provide far more to a beneficiary than other plans. Assets in the account for five years can pass to heirs without current income tax. Non-spousal heirs who inherit a Roth IRA may have to take minimum distributions but can stretch them out over a lifetime, during which the IRA is enjoying tax-free growth.

Next week we will send more information about Retirement.

If you have any questions regarding this information, please feel free to contact our office.

P.S. Please forward this to your friends or colleagues that you'd like to introduce our firm to. Or send us their email address and we'll ask for their permission to forward with your compliments.

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