

Travis Credit Union

Which IRA will Help You Live Better in Retirement?

Traditional and Roth IRA





Live better

Travis Credit Union is focused on helping our members live better and achieve their financial goals at every stage of life. That's why we offer an assortment of products to help you plan for all your financial needs. When it comes to retirement, an Individual Retirement Account (IRA) is a great way to save and supplement your income in your retirement years. Simply put, an IRA is a savings account that offers tax breaks and compound interest which help your earnings grow even faster. The specific tax benefit will depend on which IRA you choose, and your personal tax situation.*

There are two basic types of IRAs – Traditional and Roth. There are significant differences between the IRA types, and it is best to consult a tax professional to help you determine which IRA will help you live better. Here are some questions to help you get started.

Do you want to be taxed now or later?

With a Traditional IRA, you pay taxes when you take distributions in retirement (or if you make withdrawals prior to retirement), however, your contributions may be tax-deductible.

A Roth IRA operates in reverse: You pay taxes up front, because your contributions are not tax-deductible. As a result, federal taxes do not have to be paid on distributions of the amounts contributed. Earnings may also be non-taxable if certain conditions are met. Therefore, the longer you have until retirement, the greater the tax break potential.*

What are the eligibility rules and restrictions?

To make contributions to a Traditional IRA, you (or your spouse) must have earned income.

To make contributions to a Roth IRA, you (or your spouse) must have earned income and your Modified Adjust Gross Income (MAGI) cannot exceed certain limits (see MAGI chart). These limits may change yearly subject to cost-of-living adjustments (COLAs).

How much can I contribute?

Traditional IRA and Roth IRA (subject to MAGI limits below):

IRA Contribution Limit	\$7,000 ⁺
IRA Contribution Limit over age of 50	\$8,000 ⁺

*cannot exceed 100% of earned income

MAGI Chart

If your filing status is ...	And your MAGI is ...	Then you can contribute ...
Married filing jointly or qualified widow(er)	Less than \$230,000	Up to \$7,000 (\$8,000 if you are over the age of 50)
	\$230,000 or greater, but less than \$240,000	A reduced amount
	\$240,000 and greater	Zero
Married filing separately and you lived with your spouse at any time during the year	Less than \$10,000	A reduced amount
	\$10,000 or greater	Zero
Single, head of household, or married filing separately and you did not live with your spouse at any time during the year	Less than \$146,000	Up to \$7,000 (\$8,000 if you are over the age of 50)
	\$146,000 or greater, but less than \$161,000	A reduced amount
	\$161,000 or greater	Zero

When is the deadline for contributing to an IRA?

The deadline for regular and catch-up IRA contributions is your federal income tax filing due date, excluding extensions (usually April 15th).

Can I contribute to both IRAs?

Yes, you can contribute to both a Traditional and a Roth IRA in the same tax year, but the contribution limit applies to both IRAs. For instance, if you are 30 years old, and contribute \$2,500 to your Traditional IRA, you can only contribute \$3,500 to your Roth IRA. You are also subject to contribution and deduction limits.

What are the rules regarding distributions?

Early Withdrawal Penalties

Once you reach age 59½, you may take IRA distributions from your Traditional or Roth IRA without being assessed the 10 percent early withdrawal penalty tax. If you have not reached age 59½, there are

certain situations where the penalty tax will be waived. These exceptions include: qualified higher education expenses, qualified first time home purchase, qualified medical expenses, qualified health insurance premiums, qualified reservist distributions, disability, levies, rollovers, recharacterizations and conversions to a Roth IRA. For a complete list of exceptions to tax on early distributions, visit www.irs.gov.

Roth IRA distributions of contributions are not subject to the penalty tax, regardless of age or whether an exception applies. Distributions of the earnings are subject to the penalty tax unless the conditions above are met.

Taxation of Withdrawals

Traditional IRA distributions are taxed as income in the year in which they are withdrawn.*

Roth IRA distributions of contributions are non-taxable. Earnings may be subject to tax, depending on whether the distribution is considered qualified. To be a qualified distribution, five years must have elapsed since the first Roth IRA was established, **and** you are over 59½, permanently disabled, or a first time home buyer. Distributions to beneficiaries once the IRA owner has passed away are also qualified. All other distributions are considered non-qualified, and the earnings will be taxable.

When do I have to withdraw assets?

Roth IRA – You are not required to take distributions from your Roth IRA.

Traditional IRA – You can begin making withdrawals at age 59½ and you must take withdrawals (known as “required minimum distributions”) starting in the year you turn 73.

How can I learn more about Traditional or Roth IRAs?

Feel free to stop by any of our branches or call our Member Service Center at (800) 877-8328. We have Member Service Representatives available to help you choose the IRA that will help you live better in retirement.

*This brochure is not intended to provide legal advice. For specific information related to your individual circumstances, we encourage you to consult a tax professional.

Mailing & Shipping

Mailing Address

Travis Credit Union
P.O. Box 2069
Vacaville, CA 95696

Deposits & Loan Payments Only

Travis Credit Union
P.O. Box 2540
Vacaville, CA 95696

Shipping & Overnight Mail

Travis Credit Union
One Travis Way
Vacaville, CA 95696

Account Access & Information

Web Site Address

www.traviscu.org

Call-24 Phone Banking

(707) 449-4700 or (800) 578-3282

Member Service Center

Account Assistance and Information

(707) 449-4000 or (800) 877-8328

PhoneLoan™

(707) 451-5350 or (800) 877-8328

Home Loan Center

One Travis Way, Vacaville, CA 95687
(707) 469-2000 or (888) 698-0000

Debit/Credit Card Fraud Information

(707) 449-4000 or (800) 877-8328

Everyone who lives, works, worships or attends school in Alameda, Colusa, Contra Costa, Merced, Napa, Placer, Sacramento, San Joaquin, Sonoma, Solano, Stanislaus or Yolo County is eligible to join. Certain membership eligibility requirements may apply.

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