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# Roth IRA

## The differences between a Roth IRA and a Traditional IRA

Feature	Roth IRA	Traditional IRA (deductible)
Are contributions tax deductible?	No	Yes
Do earnings grow tax-free?	Yes	Yes
Are contributions taxed on withdrawal?	No	Yes
Are earnings taxed on withdrawal?	No*	Yes
Are contributions after age 70 ½ accepted?	Yes	No
Are distributions required after 70 ½ ?	No	Yes
What is the maximum annual contribution?	\$5,000**	\$10,000**
Is there a 10% IRS penalty if withdrawn prior to age 59 ½?	Earnings only, unless withdrawal is a permissible exception.	Yes, unless withdrawal is a permissible exception.

\* Earnings may be withdrawn tax-free after five years if you are 59 ½ years old, purchasing a first time home (\$10,000 maximum) or in the event of disability or death.

\*\* Tax year 2008. The maximum annual contribution amount is increased by \$1,000 for individuals who have attained the age of 50 before the close of the taxable year.



## Are you eligible for a Roth IRA?

By finding the category that best describes your situation, you can use the following chart to determine if you are eligible for a Roth IRA.

Tax Filing Status	Adjusted Gross Annual Income	Eligibility
Individual	Less than \$101,000	Yes
Individual	\$101,000-\$116,000	Partial
Individual	\$116,000 and over	No
Couple	Less than \$159,000	Yes
Couple	\$159,000 to \$169,000	Partial
Couple	\$169,000 and over	No



United Farm Family Life Insurance Company  
Indianapolis, IN

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# The Roth IRA, A Great Way To Be Sure You Have More Income At Retirement.

## What is a Roth IRA and how does it work?

A Roth IRA is a retirement plan that permits you to withdraw accumulated earnings from your account without having to pay federal income taxes, providing certain requirements are met. You will have to pay taxes on income that you put into your Roth IRA, but from then on it grows tax deferred. When you withdraw the money at retirement, it is income tax-free. Your Indiana Farm Bureau Insurance agent can help you with a retirement plan that's right for you.

## Frequently Asked Questions:

### Question: What is a Roth IRA?

**Answer:** The Roth IRA is a type of nondeductible IRA that allows you to withdraw accumulated earnings without having to pay federal income taxes, if you meet certain requirements.

### Question: What makes the Roth IRA unique?

**Answer:** Unlike a Traditional IRA (Individual Retirement Annuity), the money you contribute to a Roth IRA has already been taxed. So the principal amount is never subject to future taxes or IRS penalties, as long as you stay within withdrawal guidelines. In addition, the Roth IRA allows the money you contribute to your account to grow on a tax-deferred basis. If you do not withdraw any earnings for at least five years, those tax-deferred earnings become tax-free once certain conditions are met.

### Question: May I contribute to a Roth IRA and a Traditional IRA in the same year?

**Answer:** Yes, as long as the total contributions to all of your IRA's do not exceed \$5,000 for an individual or \$10,000 for a married couple filing a joint tax return. The maximum annual contribution amount is increased by \$1,000 for individuals who have attained the age of 50 before the close of the taxable year.\*

### Question: When can tax-free withdrawals be made from a Roth IRA?

**Answer:** Withdrawals may be taken without IRS penalty (after a five year holding period) after age 59 ½, upon disability,



by your beneficiary after your death, for a first time home purchase (up to \$10,000).

### Question: Are any penalty taxes imposed on early withdrawals?

**Answer:** If withdrawals do not satisfy the above requirements, your earnings are subject to income tax and if you are under age 59 ½, they also may be subject to an IRS 10% penalty tax.

### Question: Are mandatory withdrawals required when I reach age 70 ½?

**Answer:** No. In fact, you may continue to contribute to your Roth IRA after you reach age 70 ½, providing you still have earned income.

\* Tax year 2008

*Important Note: This brochure is not intended to constitute tax advice. Please consult your tax advisor about your own situation.*

**Your Indiana Farm Bureau Insurance agent can help you open a Roth IRA or convert your present IRA to a Roth IRA. If you're looking forward to a bright retirement, now is the time to position your finances for your future, and your Indiana Farm Bureau Insurance agent can help you design your plan.**

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