

Planning For Your Future

What Is An IRA?

(NAPSA)—It's important to start saving early for retirement. The good news is, even if you already have a 401(k) at work, you can give your savings a boost with an Individual Retirement Account (IRA). An IRA, which combines the benefits of compound interest and tax savings, is available to anyone who earns a taxable income. You can open an IRA at virtually any financial institution, including your bank, and opening fees are typically lower than other investment accounts.

While opening an IRA is relatively easy, figuring out what type is best for you can be confusing.

There are two types of IRAs—traditional and ROTH. With a traditional IRA, your earnings are taxed when you start making withdrawals, and you generally incur a penalty if you withdraw money before age 59½. With a ROTH IRA, you can withdraw your earnings tax-free after age 59½ as long as you've had the account for at least five years. In other words, earnings from a traditional IRA are tax deferred, while ROTH IRA earnings are tax exempt.

Another important difference is that you must begin taking withdrawals from a traditional IRA at age 70½. There is no mandatory distribution age with a ROTH, but there are income restrictions. Single filers with adjusted gross income of \$110,000 or more and couples whose joint return is \$160,000 or more cannot open a ROTH. Traditional IRAs, on the



other hand, have no income restrictions.

That explains a little about the money you take out of an IRA, but what about the money you put in? Contributions to a traditional IRA may be tax deductible depending on your income level, but if you're eligible to participate in your employer's retirement plan, you may not be able to deduct all of your contributions. On the other hand, ROTH IRA contributions are never tax deductible, but earnings are tax-free if part of a qualified distribution.

The federal government imposes new IRA contribution limits each year. It's generally a good idea to make the maximum contribution. The good news is, contribution limits have gone up since 2002 and continue to increase, so there's never been a better time to open an IRA.

To find out more about how to supplement your retirement savings by opening an IRA, contact the experienced professionals at INVEST Financial Corporation (member NASD/SIPC and a Registered Investment Adviser). Visit www.investfinancial.com to find an INVEST representative.