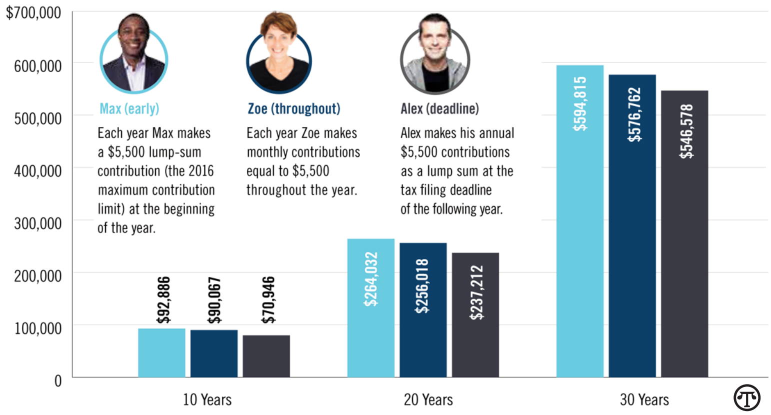
Don’t Delay Contributing To Your IRA



Compare Three Investors: They start saving during the same tax year, and over the next 30 years, they contribute the same amount each year. The power of compounding from Max’s and Zoe’s early contributions puts their balances ahead of Alex’s. *Assumes a 7 percent annual rate of return compounded monthly and $5,500 contributed annually; assumes contributions made for 30 consecutive tax years.*

(NAPSA)—Here’s a hint on how to have a better retirement. Investors have the potential to earn thousands more in tax-deferred savings by moving their IRA contributions up earlier.

Fortunately, you have many options for making qualified annual contributions to an IRA in 2016, from starting to fund it on January 1, 2016 to, at the very latest, fully funding it at the tax-filing deadline in April 2017. But you may want to consider making those 2016 IRA contributions as quickly as you can afford to because you could benefit from months of additional tax-advantaged growth if you do.

Here’s why: Making an early contribution—whether through a lump sum at the start of the tax year or by contributing evenly each month throughout the year—gives your savings more time to benefit from the power of compounding. Accelerating contributions by a few months may not seem like a big deal for one year, but it can have a significant impact over the long term. Schedule your contribution in a way that fits into your overall budget and financial plan but consider making it a priority to contribute as early as possible.

You should also know the difference between kinds of IRAs.

With a **Roth IRA**, your contributions are not tax-deductible and you pay the taxes now. Contributions may be withdrawn at any time without taxes or penalties and earnings may be withdrawn tax-free and penalty-free once you reach age 59½ as long as the account has been open for at least five years. There are no age restrictions for contributions but you may not be eligible to contribute if your income is over a certain amount. Also, there are no required minimum distributions (RMDs).

With a **Traditional IRA**, your contributions may be tax deductible and your earnings grow tax-deferred. You generally pay taxes when you make withdrawals, often in retirement. You must be under age 70½ to contribute, and while there’s no income restrictions on eligibility to contribute, there may be restrictions on deductibility. Plus, you must begin taking RMDs at age 70½.

Learn More

Visit www.troweprice.com/IRA for further facts about IRAs.

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