

# TRADITIONAL IRAs VS ROTH IRAs

The type of individual retirement account (IRA) you choose can affect you and your family's long-term savings. Use this guide to understand the differences between traditional IRAs and Roth IRAs.

**Terms Used In This Guide**

**Earned income:** Income you make from working, typically in the form of salary, hourly wages, or profits from a small business.

**Modified adjusted gross income (MAGI):**

Calculated by taking the adjusted gross income from your tax forms and adding back deductions for things like student loan interest and higher education expenses.

## Key Considerations

### 1. Contribution limits

Total annual contributions to your Traditional and Roth IRAs combined cannot exceed:

- \$5,500 (under age 50)
- \$6,500 (age 50 or older)

Traditional IRA contributions are not limited by annual income. For Roth IRAs, contribution limits are based on annual income.

### 2. Eligibility requirements

**Traditional IRAs:** Anyone with earned income, who is younger than 70½, can contribute to a Traditional IRA. You make contributions with money you may be able to deduct on your tax return. Any earnings potentially grow tax-deferred until you withdraw them in retirement.

**Roth IRAs:** Contribution limits and eligibility are based on your MAGI, depending on tax-filing status. Important: Each year, the IRS updates the rules for Roth IRA.

- For individuals over 50, the IRS also allows these individuals to also contribute an additional \$1,000 as “catch up” contributions. This allowance is provided to assist individuals that are behind in retirement saving, but is available to all individuals over age 50 that qualify for a Roth IRA.
- Individuals may contribute money to a Roth IRA from January 1 of the current tax year to April 15 of the following tax year. Contributions are made with post-tax dollars. You pay tax today so that no tax is charged to you in retirement.



*(Continued on next page)*

### 3. Withdrawals

- **Traditional IRAs:** 10 percent early withdrawal penalty may apply for withdrawals taken prior to age 59½ if no exceptions apply. Required Minimum Distributions (RMDs) start at age 70½. All withdrawals are subject to taxes.
- **Roth IRAs:** Withdrawals are tax-free at any age, but 10 percent early withdrawal penalty may apply for withdrawals taken prior to 59½ if no exceptions apply.

The views expressed regarding IRA Rollovers are for commentary purposes only and do not take into account any individual personal, financial, or tax considerations. It is not intended to be a solicitation to buy or sell or engage in a particular investment strategy. Before initiating a rollover, please consult with a tax professional.

RiverPoint Capital Management is not affiliated with Procter & Gamble. Any reference to them should not be construed as an endorsement by either party.

This document is for informational use only. Nothing in this publication is intended to constitute legal, tax, or investment advice. There is no guarantee that any claims made will come to pass. The information contained herein has been obtained from sources believed to be reliable, but RiverPoint Capital Management does not warrant the accuracy of the information. Consult a financial, tax or legal professional for specific information related to your own situation.

RiverPoint Capital Management (“RiverPoint”) is an SEC registered investment adviser with its principal place of business in the State of Ohio. Registration of an investment advisor does not imply any level of skill or training. RiverPoint and its representatives are in compliance with the current registration and notice filing requirements imposed upon registered investment advisers by those states in which RiverPoint maintains clients. RiverPoint may only transact business in those states in which it is notice filed, or qualifies for an exemption or exclusion from notice filing requirements. Any subsequent, direct communication by RiverPoint with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For additional information about RiverPoint, including fees and services, please contact RiverPoint or refer to the Investment Adviser Public Disclosure website ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)). Please read the disclosure statement carefully before you invest or send money.