BAIRD
Private Wealth Management

Traditional and Roth IRA Overview - 2019

The table below provides an overview of the main differences and similarities between Traditional and Roth IRAs.

Features	Traditional IRA	Roth IRA
Key Tax Benefit	Tax-deferred growth and possible tax deduction for contributions.	Tax-deferred growth and tax-free distributions.
Who It's Best For	Individuals who are not covered by an employer plan at work and are eligible to make tax-deductible contributions. Individuals who may be in a lower tax bracket in retirement.	Individuals who are covered by an employer plan at work and are not eligible to make tax-deductible contributions. Individuals who may be in a higher tax bracket in retirement.
Eligibility Requirements	If you are under age 70-½ for the entire year and have earned income. Deductions subject to income limits—see below.	If you have earned income, regardless of age. Subject to income limits—see below.
Contribution Limits	The lesser of 100% of earned income or $6,000 (up from $5,500 in 2018) or $7,000 if age 50 or older[1]. Aggregated with Roth IRA contributions.	The lesser of 100% of earned income or $6,000 (up from $5,500 in 2018) or $7,000 if age 50 or older[1] Aggregated with Traditional IRA contributions.
Spousal IRA[2] **(For non-working spouse)**	YES. As long as working spouse has earned income to cover contribution.	YES. As long as working spouse has earned income to cover contribution.
Contribution Deadline	By April 15 – individual tax filing deadline. No extensions given.	By April 15 – individual tax filing deadline. No extensions given.
Tax-Deductible Savings	YES. Subject to Modified Adjusted Gross Income limits (MAGI)—see below.	NO. Funded with after-tax dollars only.
Single tax filer, married, or married filing separately[3]. You are not covered by employer plan *(and nor is your spouse).*	Deduction Limits (MAGI)[4] No income limit for deductibility	Contribution Limits (MAGI) Participation in employer plan does not affect Roth IRA contribution eligibility. See respective tax filing status for Roth IRA contribution eligibility.
Single tax filer or married filing separately. You are covered by employer plan.	Deduction Limits (MAGI)[4] Less than $64,000 = full amount $64,000 – $74,000 = partial amount Greater than $74,000 = no deduction	Contributions Limits (MAGI) Less than $122,000 = full amount $122,000 - $137,000 = partial amount Greater than $137,000 = none
Married filing jointly. You are covered by an employer plan.	Deduction Limits (MAGI)[4] Less than $103,000 = full amount $103,000 – 123,000 = partial amount Greater than $123,000 = no deduction	Contributions Limits (MAGI) Less than $193,000 = full amount $193,000 - $203,000 = partial amount Greater than $203,000 = none

Features	Traditional IRA	Roth IRA
Married filing jointly. You are not covered by an employer plan but your spouse is covered.	Deduction Limits (MAGI)[4] Less than $193,000 = full amount $193,000 - $203,000 = partial amount Greater than $203,000 = none	Contribution Limits (MAGI) Less than $193,000 = full amount $193,000 - $203,000 = partial amount Greater than $203,000 = none
Married, filing separately *(and you lived with spouse at any time during the year), and* YOU are covered by employer plan *(or your spouse is covered).*	Deduction Limits (MAGI)[4] Less than $10,000 = partial amount Greater than $10,000 = no deduction	Contributions Limits (MAGI) Less than $10,000 = partial amount Greater than $10,000 = none
Features	Traditional IRA	Roth IRA
Conversion to a Roth IRA	YES. Beginning in 2010, everyone is eligible for a Roth conversion.	N/A
Penalty-Free Withdrawals Before age 59½	NO. However, the following Distributions are exempt from the 10% premature penalty tax (but still subject to ordinary income tax): (1) Death or disability of IRA owner (2) First-time home purchase (3) Higher educational expenses (4) Medical Expenses that exceed 7.5% of AGI (5) Health insurance for unemployed (6) Substantially equal periodic payments – 72(t)	YES - For Contributions only; however, earnings must wait until the later of five years and age 59 ½ to be withdrawn penalty free unless one of the following exceptions to the 10% penalty apply: (1) Death or disability of IRA owner (2) First-time home purchase (3) Higher educational expenses (4) Medical Expenses that exceed 7.5% of AGI (5) Health insurance for unemployed (6) Substantially equal periodic payments – 72(t)
Tax and Penalty-Free Qualified Distributions	N/A	YES - Contributions may be withdrawn tax & penalty free at any time; however, earnings must wait five years from beginning of contribution year AND one of these qualifying events must also occur: (1) Attainment of age 59-½ (2) Death or disability of IRA owner (3) First-time home purchase
Features	**Traditional IRA**	**Roth IRA**
Other Taxation Issues for IRA Withdrawals	All earnings and deductible contributions are taxable at ordinary income tax rates. For Traditional IRAs with nondeductible contributions, withdrawals occur pro-rata with a combination of non-deductible contributions; and deductible contributions and earnings.	Distribution ordering rule: (1) Contributory dollars distributed first (2) Then Conversion amounts (3) Earnings are last to be distributed Roth IRA Conversion amounts withdrawn within the first five years are subject to 10% penalty, if under age 59-½.
Required Minimum Distributions (RMDs)	YES. Distributions must commence at age 70-½, and RMD amounts are based on life expectancy of IRA owner.	NO. Not required during lifetime of Roth IRA owner.
“Stretch” IRA Benefits	YES. Beneficiaries may have ability to “stretch” out the IRA distributions over their own life expectancy.	YES. Beneficiaries may have ability to “stretch” out the IRA distributions over their own life expectancy.

[1] The catch-up can be made any time during the year you turn 50.

[2] You must be married, filing a joint tax return.

[3] If you did not live with your spouse at any time during the year and you file a separate return, your filing status, for this purpose is single.

[4] You can still contribute to a Traditional IRA, even if the contribution is non-deductible. For every year in which you make a non-deductible contribution to a Traditional IRA, you will need to file IRS Form 8606 to report the non-deductible contribution.