

Five Reasons to Make an IRA Part of Your Planning Strategy

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There could be an important tool already in your portfolio that can help you save more for retirement. It's your IRA.

Nearly 50 million American households own an IRA, but it is often an overlooked component of most investors' financial planning strategies. In fact, over the past two years, only 15% of households that were eligible to contribute to an IRA did so.¹

Have you forgotten your IRA? If you don't have one, should it be part of your overall investment plan? Here are some compelling reasons why this vehicle can help you plan for your future.

1. **Tax deferral:** Traditional IRAs allow your investment earnings to grow tax-deferred until withdrawn, typically at retirement. For 2011, the maximum contribution is \$5,000, but for those aged 50 and over, the limit is \$6,000. The limits are the same for a Roth IRA, but to be eligible to fully contribute, an investor must have a 2011 modified adjusted gross income of less than \$107,000 for singles and \$169,000 for married couples filing jointly. Singles earning up to \$122,000 and couples earning up to \$179,000 are eligible for partial contributions.
2. **Deductibility:** If you are a single taxpayer who doesn't participate in an employer-sponsored plan and you earn less than \$56,000 in 2011, you can deduct your contributions to a traditional IRA off your income taxes. Couples earning under \$90,000 are also eligible for a full deduction. Partial deduction limits also apply, up to \$66,000 for singles and \$110,000 for couples. Note that Roth IRA contributions are not deductible.
3. **Investment flexibility:** IRAs typically give investors access to a wider range of investment options than workplace-sponsored plans, such as a 401(k). Depending on

the financial institution you use to open your account, you can invest in a broad array of mutual funds, ETFs, individual stocks and bonds, CDs, annuities, even commodities and real estate.

4. **Convertibility:** Traditional IRA holders can convert to a Roth IRA to enjoy some of the additional benefits listed below. But before you decide make a switch, be sure to investigate the tax consequences of such a move.
5. **Portability:** If you have assets in an employer-sponsored plan and you leave your job, you can easily roll over those assets into an IRA. Rolling over your assets can make sense, particularly if you change jobs frequently and don't want to devote too much time to coordinating and tracking your accounts.

Additional Benefits of Roth IRAs

- **Qualified tax-free withdrawals:** Since Roth IRAs are funded with after-tax dollars, your withdrawals are tax free, as long as you have held the account for at least five years and are over age 59 1/2.
- **No RMDs:** Unlike traditional IRAs, Roth IRAs are not subject to required minimum distributions (RMDs) once the accountholder reaches age 70 1/2.

Contact your financial professional to discuss a strategy for your IRA or to see if investing in an IRA makes sense for you.

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¹Source: Investment Company Institute, The Role of IRAs in U.S. Households' Saving for Retirement, December 2010 (<http://www.ici.org/pdf/fm-v19n8.pdf>).

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