# **2021 ROTH IRA INFORMATION**

## **Roth IRA Definition**

A Roth IRA is an individual retirement arrangement that allows a person to make contributions using after-tax dollars and to withdraw those contributions and earnings (gain) income tax-free under certain circumstances.

### **Roth IRA Contribution Information**

- The account or annuity must be designated as a Roth IRA when it is created.
- Roth IRA contributions must be made in a specific person's name and the Roth IRA cannot be jointly owned.
- You can make contributions for the prior year to a Roth IRA by the due date (not including extensions) for filing your tax return, provided you timely designate the prior year in writing.
- Your earned income must exceed the amount of your Roth IRA contribution in any given year.
- If you file a joint return and only one spouse works, both spouses can make Roth IRA contributions as long as the working spouse makes enough income to cover both contributions.
- You can contribute to a Roth IRA even if you contribute to another Retirement Plan at work.
- You can make contributions to your Roth IRA after you reach age 70 ½, unlike a traditional IRA.
- If contributions to your Roth IRA in any given year exceed the annual limit you will be charged a 6% excise tax on the amount over the limit. The amount contributed over the limit may be applied to the following year.
- The contribution limit to your Roth IRA is reduced by any contribution you made to a traditional IRA for the same year.
- The original principal contributed to a Roth IRA can be withdrawn at any time tax and penalty free.
- Unlike a Traditional IRA, you cannot deduct contributions to a Roth IRA.

2021 Maximum Roth IRA Contribution Limits			
Roth IRA Contribution Under Age 50	\$6,000	Roth IRA Contribution at Age 50 or Older	\$7,000
2021 Phase-Out of Roth IRA Contribution Eligibility			
Tax Filing Status	Average Gross Income		
Single	\$125,000 - \$140,000		
Married, Filing Jointly	\$198,000 - \$208,000		
2021 Roth IRA Conversion Eligibility			

No Restrictions on Roth IRA Conversions, except for timing restrictions after a recharacterization. Roth IRA conversions completed after December 31, 2017 cannot be recharacterized.

#### **Roth IRA Tax Information**

- You can leave amounts in your Roth IRA as long as you are living.
- Roth IRA's are **not** subject to Required Minimum Distributions as long as the account owner is alive.
- Required Minimum Distribution rules **do** apply to beneficiaries of a Roth IRA.
- If you satisfy the requirements, qualified distributions are tax-free.
- Certain ordering rules apply to determine if any part of a non-qualified distribution is included in taxable income.

### **Qualified Withdrawal & Distribution Information**

A qualified distribution is any withdrawal from your Roth IRA that meets the following requirements:

- It is withdrawn at least 5 years after your initial contribution to any Roth IRA year, and the withdrawal is:
  - a. Taken on or after the date you reach age 59½.
  - b. Taken because you are disabled.
  - c. Paid to a beneficiary after your death.
  - d. One that meets the requirements listed under First Home under Exceptions (up to a \$10,000 lifetime limit).

This document is designed to provide general information on the subjects covered. It is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market, or recommend any tax plan or arrangement. Please note that Thomas Gold and their representatives do not give legal or tax advice. Please remember that converting a Traditional IRA or an employer plan account to a Roth IRA is a taxable event. Increased taxable income from the Roth IRA conversion may have several consequences including (but not limited to) a need for additional tax withholding or estimated tax payments, the loss of certain tax deductions and credits, and higher taxes on Social Security benefits and higher Medicare premiums. It is generally preferable that you have funds to pay the taxes due upon conversion from funds outside of your IRA. If you elect to take a distribution from your IRA to pay the conversion taxes, please keep in mind the potential consequences, such as an assessment of product surrender charges or additional IRS penalties for premature distributions. If you convert a traditional IRA annuity to a Roth IRA annuity while maintaining all of the contract features, the taxable amount of the conversion will be the contract value plus the present value of certain living and death benefits. You are encouraged to consult your tax advisor or attorney. Statistics gathered on 1/22/21 from http://www.irs.gov/Retirement-Plans/Roth-IRAs, and IRS Notice 2018-83