



Roth Individual Retirement Accounts (IRAs)

An Individual Retirement Account (IRA) is a convenient way for all working people to save for their retirement. You pay taxes on the money you contribute to your Roth IRA, but the money you save grows tax-free, and you do not pay taxes on withdrawals in retirement. This is different from a Traditional IRA, which is a tax-deferred account; you pay taxes when you withdraw money. Roth IRA contributions are limited by income level. If your income is above those limits, you can only contribute to a Traditional IRA. You can open a Roth IRA even if you participate in an employer-sponsored retirement plan.

Contribution Limits for 2020:

If you are UNDER 50 years old...

\$6,000

If you are OVER 50 years old...

\$7,000

- Married couples can put in double the individual amount each year.
- You can put in less if you cannot afford the full amount. The important thing is to start saving.
- The deadline for the annual contribution is April 15th of the following year, though the earnings will accrue more quickly if you contribute earlier.

Income-Based Contribution Limits for 2020:

Based on your adjusted gross income (AGI), you may be able to only make reduced contributions. Your AGI is your gross taxable income, minus certain “adjustments” like alimony payments, child support, etc.

If your filing status is...	And your modified AGI is...	Then you can contribute...
married filing jointly or qualifying widow(er)	< \$196,000	up to the limit
	≥ \$196,000 but < \$206,000	a reduced amount
	≥ \$206,000	zero
married filing separately and you lived with your spouse at any time during the year	< \$10,000	a reduced amount
	≥ \$10,000	zero
single, head of household, or married filing separately and you did not live with your spouse at any time during the year	< \$124,000	up to the limit
	≥ \$124,000 but < \$139,000	a reduced amount
	≥ \$139,000	zero

Other Features of Roth IRAs

- You can withdraw contributions and earnings at age 59½ with no federal tax or penalty, provided you opened your account at least 5 years prior.
- If you are less than 59½, you can make tax-free and penalty-free withdrawals 5 years after opening your account for certain medical expenses, higher education expenses or to buy your first home.
- You can make contributions to a Roth if you continue to work in retirement as long as you stay within the income limits.
- There are no mandatory withdrawals. Traditional IRAs require withdrawals beginning at age 72. (Note: The SECURE Act of 2019 increased this age for required minimum distributions from 70½ to 72 for individuals who reach 70½ from January 1, 2020 onward.)

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1001 Connecticut Avenue, NW, Suite 730, Washington, DC 20036 • 202-393-5452 • fax: 202-393-5890