

## Individual Retirement Accounts (IRAs) tax-advantaged supplemental retirement savings accounts.

The most common types of IRAs are traditional and Roth, and the main difference between the two is when you pay income tax on money you put in the plan.

Our comparison chart can help you determine which IRA is right for you.

IRAs have eligibility restrictions based upon income, employment status, and have limitations on how much can be contributed each year. Consult with a tax professional to determine if you meet the eligibility requirements.

### National Life Insurance Company® Life Insurance Company of the Southwest®

Neither National Life Group® or its representatives provide legal or tax advice.

National Life Group® is a trade name of National Life Insurance Company, Montpelier, VT, Life Insurance Company of the Southwest, Addison, TX and their affiliates. Each company of National Life Group is solely responsible for its own financial condition and contractual obligations. Life Insurance Company of the Southwest is not an authorized insurer in New York and does not conduct insurance business in New York.

Centralized Mailing Address: One National Life Drive, Montpelier, VT 05604-5555 | [www.NationalLife.com](http://www.NationalLife.com)

No bank or credit union guarantee | Not a deposit |  
Not FDIC/NCUA insured | May lose value

Not insured by any federal or state government agency

Guarantees are dependent upon the claims-paying ability of the issuing company.

Limits shown are for the 2020 tax year.

TC111866(0120)1

Cat No 102758(0520)



## IRAs Traditional and Roth



## TRADITIONAL IRA

## ROTH IRA

Withdrawals — when are they IRS penalty free?

Withdrawals prior to age 59½ usually have a 10% penalty, except when the distribution is:

- Made to a beneficiary upon death of the owner;
- Attributable to a disability;
- Used to cover medical expenses that exceed 7.5% of an individual's Adjusted Gross Income (AGI);
- Used to cover health insurance for unemployed individuals upon certain conditions;
- Used to pay for qualified higher education expenses for the taxpayer, their spouse, child, or grandchild;
- For a qualified first-time home buyer;
- Made in a series of equal periodic payments for the life or life expectancy of the owner or owner and beneficiary.

Same as a traditional IRA, but taxes and penalties are paid only on interest earned.

- The early distribution penalty may also apply if the Roth IRA has not existed for at least 5 years.

Required Minimum Distributions (RMDs)

At Age 72

- For customers 70½ as of December 31, 2019, RMDs must be taken out in 2019 and continued.
- For customers not 70½ as of December 31, 2019, RMDs begin at age 72.

No required distributions during the owner's lifetime.

- Distributions are required after the owner's death.

Maximum Deduction Qualifications

To qualify for the maximum tax deduction, your AGI for current year must be:

- Less than \$65,000 for those filing as single and Head-of-Household
- Less than \$104,000 for married taxpayers filing jointly when both filers have a plan
- Less than \$196,000 for married taxpayers filing jointly with a nonactive participant

To qualify for the maximum contribution, your AGI for current year must be:

- Less than \$124,000 when filing as Single and Head-of-Household
- Less than \$196,000 for married taxpayers filing jointly
- Married taxpayers filing separately should check with their tax adviser.

Individual/Employee Contribution Limits\*

Current year—\$6,000 (or 100% of compensation, if less)

Age 50+ Catch-Up Contribution

Current year—\$1,000

Age Limit On Contributions

None

Individual or Employer Sponsored

Individual

Are individual or employee contributions tax-deductible?

Yes, if the individual or spouse are not active participants in a qualified plan. If either person is an active participant the deduction may be reduced or eliminated. Individuals should check with their tax advisor.

No

How are withdrawals taxed?

In a tax-deductible IRA contributions and earnings are taxed as ordinary income when withdrawn. In a non-deductible IRA only earnings are taxed as ordinary income when a withdrawal is made.

Earnings on the Roth IRA are tax-free if the policy has been open for at least 5 years and the owner:

- Attains age 59½, or
- is or has become disabled, or
- is a qualified first-time home buyer, or
- has died

\*Standard and Catch-up contribution limits are aggregate for all traditional and Roth IRAs owned by the individual.