National Life Group®

Traditional and Roth IRAs

WHICH IS RIGHT FOR YOU?

Individual Retirement Accounts (IRAs) are tax-advantaged supplemental retirement savings accounts. The most common types of IRAs are Traditional and Roth; the main difference between the two is when you pay income tax on the money you contribute to the plan.

Tax Treatment

Traditional IRA

You can deduct contributions from your taxable income now. When you take money out in retirement, you pay taxes on it as regular income.

Roth IRA

You pay taxes on contributions now (no deduction). In retirement, you can take the money out tax-free, if you meet certain conditions.

Income Limits

Traditional IRA

Contributions are not limited by income however, if you have a high income and a retirement plan at work, your ability to deduct contributions might be limited.

Roth IRA

Contributions are limited by income. If you earn too much, you can't contribute, or your contribution limit is reduced. Contributions are not tax-deductible.

Required Minimum Distributions (RMDs)

Traditional IRA

You must start taking money out of your account at age 73.

Roth IRA

You don't have to take money out during your lifetime.

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2025 Tax Year

	Traditional IRA	Roth IRA
Individual Contribution Limits*	$7,000 (or 100% of compensation, if less)	
Age 50+ Catch-up Contribution	plus $1,000	
Age Limit On Contributions	None	
Individual or Employer Sponsored	Individual but may also be funded through a payroll deducted plan through an employer.	
Are contributions tax deductible?	Yes, if an individual has earned income but is not an active participant in a qualified retirement plan through their employer, they may deduct all contributions up to the maximum amount permitted. If the individual is a participant in a qualified retirement plan through their employer, their ability to deduct contributions may be reduced or eliminated depending on their income and tax filing status. Individuals should check with their tax advisor.	No
Maximum Deduction Qualifications	To qualify for the maximum tax deduction, if you are NOT covered by a retirement plan at work, your AGI for current year must be: • Less than $79,000 for those filing as single and head-of-household • Less than $126,000 for married taxpayers filing jointly when both filers have a plan • Less than $236,000 for married taxpayers filing jointly with a nonactive participant	To qualify for the maximum contribution, your AGI for current year must be: • Less than $150,000 when filing as single and head-of-household • Less than $236,000 for married taxpayers filing jointly • Married taxpayers filing separately should check with their tax adviser
How are withdrawals taxed?	Contributions that have been deducted as well as interest are taxed as ordinary income when withdrawn. Contributions that have not been deducted are withdrawn tax free.	Principal is withdrawn tax-free. Earnings will be withdrawn tax-free as long as the policy has been open for at least 5 years and the owner has either • Attained age 59½ • become disabled • died, or • is using the funds for a qualified first-time home buyer ($10,000 lifetime maximum applies)
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 10% 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 (subject to a $10,000 lifetime maximum); • Made in a series of equal periodic payments for the life or life expectancy of the owner or owner and beneficiary; • Because of an IRS levy of the plan; • Certain distributions to qualified military reservists called to active duty; • If withdrawn by extended due date of return; • In-plan Roth rollovers or eligible distributions contributed to another retirement plan or IRA within 60 days	Same as a traditional IRA, but taxes and penalties are paid only on interest earned.
Required Minimum Distributions (RMDs)	The required beginning date for RMDs is April 1 of the year after the retirement account owner turns 73.	No required distributions during the owner's lifetime. • Distributions are required after the owner's death
How to Establish	Contact a National Life Group agent.	

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