



# IRAs: The basics and the benefits

Don't overlook what these tax-advantaged accounts can do **for your retirement**

If you haven't considered an Individual Retirement Account (IRA) lately, it may be time to look again. With an IRA, the income from interest, dividends and capital gains can compound each year on a tax deferred basis,<sup>1</sup> even if your income makes you ineligible to deduct the actual IRA contribution. This alone makes an IRA worth considering. An IRA can be an important ingredient in a solid financial plan and an ideal supplement to an employer-sponsored retirement plan.

## Traditional or Roth IRA?

There are two main types of IRAs—Traditional and Roth.

Traditional IRA	Roth IRA
Anyone with earned income can make a traditional IRA contribution. Contributions may or may not be tax-deductible depending on your income and whether you (and your spouse if you are married) are covered by an employer-sponsored retirement plan. Your savings in a traditional IRA benefit from tax-deferred growth until withdrawn.	You also need earned income to make a Roth IRA contribution. Contributions are made with after-tax dollars, and can always be withdrawn tax-free. Your savings grow tax-deferred, and, if certain requirements are met, your earnings may also be withdrawn tax-free. Any distribution of earnings taken are tax-free if the Roth IRA has been held for at least five years and the individual account holder is: age 59½ or older; making a first-time home purchase (lifetime limit of \$10,000 per taxpayer); is disabled or dies. If a beneficiary inherits the account, any remaining assets in the Roth IRA can be distributed tax-free pursuant to IRS rules, as long as the five year holding requirement is also satisfied. See page 2 for eligibility information.

## Can I make deductible contributions to a traditional IRA?

Deductibility of traditional IRA contributions is based on your Modified Adjusted Gross Income (MAGI):

If your filing status is...	Employer plan?	And your 2021 MAGI is...	And your 2022 MAGI is...	You can take...
Single or head of household	No	N/A	N/A	Full deduction regardless of income up to your contribution limit amount
	Yes	\$66,000 or less	\$68,000 or less	Full deduction up to your contribution limit amount
	Yes	\$66,000 – \$76,000	\$68,000 – \$78,000	Partial deduction
	Yes	\$76,000 or more	\$78,000 or more	No deduction
Married filing jointly or qualifying widow(er)	No	N/A	N/A	Full deduction regardless of income up to your contribution limit amount
	Yes	\$105,000 or less	\$109,000 or less	Full deduction up to your contribution limit amount
	Yes	\$105,000 – \$125,000	\$109,000 – \$129,000	Partial deduction
	Yes	\$125,000 or more	\$129,000 or more	No deduction
Married filing separately	Yes	\$10,000 or less	\$10,000 or less	Partial deduction
	Yes	\$10,000 or more	\$10,000 or more	No deduction

*If you file separately and did not live with your spouse at any time during the year, your IRA deduction is determined under the "Single" filing status.*

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\* Investing involves risks, including the potential of losing money or the decline in value of the investment. Performance is not guaranteed.

## 2021 and 2022 contribution limits for Traditional and Roth IRAs

An individual's total annual contribution cannot exceed the maximum limit, no matter how many traditional and Roth IRAs he or she has.

	2021	2022
<b>Under age 50</b>	\$6,000	\$6,000
<b>Age 50 and older</b>	\$7,000	\$7,000

### Married couple filing jointly—only one spouse participates in employer-sponsored plan

If you are covered by an employer-sponsored retirement plan, but your spouse is not, then the deductibility of your spouse's traditional IRA contribution is based on different MAGI limits, and is phased out as follows:

Joint filers MAGI for	2021	2022	Deduction
Less than	\$198,000	\$204,000	Full
Between	\$198,000 – \$208,000	\$204,000 – \$214,000	Partial
More than	\$208,000	\$214,000	None

## Am I eligible for a Roth IRA?

Anyone with earned income not exceeding the allowable limits may contribute, phased out as follows:

Year	Single filers MAGI	Joint filers MAGI	Married filing separately MAGI
<b>2021</b>	\$125,000 – \$140,000	\$198,000 – \$208,000	\$0 – \$10,000
<b>2022</b>	\$129,000 – \$144,000	\$204,000 – \$214,000	\$0 – \$10,000

### Roth IRA conversion

Everyone, regardless of income level, can convert a traditional IRA to a Roth IRA. Converted amounts are not subject to the 10% penalty tax, but they are included as income. Consult with your tax advisor for details. For more information on Roth IRA conversions please see the factsheet 'To convert or not to convert.'

### Let's have a conversation

It's important to feel confident when it comes to your retirement. Let's review your goals to see if an IRA is right for you.

**Your life today** is much bigger than your investments. And achieving your life's goals is being challenged in new way. By the realities of a longer retirement. The demands of caring for aging parents. The threat of online identity theft. And the financial burden of long-term healthcare. Your UBS Financial Advisor can help you understand how all the moving parts of your life can fit together to help you pursue what's important—including the role that an IRA can play in your overall financial plan. It's what we call: Advice. Beyond investing.

<sup>1</sup> Some investments (generally limited to certain public and master limited partnerships and alternative investments) may generate Unrelated Business Taxable Income ("UBTI") which can require the IRA to owe tax if the UBTI is over \$1,000 in a given year.

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