IRAs & Coverdell ESAs

frugalicious®

ASSOCIATED CREDIT UNION

Better than a Bank

IRAs & Coverdell ESAs

Traditional IRAs

Who Can Contribute?

- Anyone under age 70½ who has income from compensation (or who is filing jointly with a spouse who earns compensation)

How Much Can I Contribute?

- $5,000 per year[1]
- Age 50 or older can make extra catch up contributions of $1,000 more per year
- Cannot exceed compensation
- Reduced by contributions to Roth IRAs

Who Can Make Deductible Contributions?

- Fully deductible contributions:
  - Single individuals not active in employer retirement plans (regardless of income)
  - Single individuals active in employer retirement plans with MAGI[2] of $58,000 or less
  - Married couples with neither spouse active in an employer retirement plan (regardless of income)
  - Married individuals active in employer retirement plans with joint tax returns showing MAGI[2] of $92,000 or less
  - Married individuals not active in employer retirement plans with spouses who are, as long as MAGI[2] is $173,000 or less
- Individuals with incomes exceeding the above limits may be able to deduct an amount that is less than the amount that can be contributed

What Are The Tax Advantages?

- Earnings grow tax-deferred until withdrawn
- Contributions may be tax-deductible

When Can I Withdraw Without Restrictions?

Withdrawal for the following reasons do not incur an IRS penalty:

- Qualified higher-education expenses
- First-time home purchase[3]
- Age 59½ or older
- Disability
- Qualifying medical expenses exceeding 7.5% of adjusted gross income
- Payment to beneficiaries upon owner's death
- Payment of health insurance premiums while unemployed for 12 weeks or longer

Roth IRAs

Who Can Contribute?

- Anyone who has income from compensation (or who is filing jointly with a spouse who earns compensation) with the following MAGI[2]:
  - Single Filer: $110,000 or less
  - Joint Filers: $173,000 or less
- Reduced contributions allowed for higher incomes. Ask us for details.

How Much Can I Contribute?

- $5,000 per year[1]
- Age 50 or older can make extra catch up contributions of $1,000 more per year
- Cannot exceed compensation
- Reduced by contributions to Traditional IRAs

Who Can Make Deductible Contributions?

- No one can deduct contributions

What Are The Tax Advantages?

- Regular contributions can be withdrawn tax free and without IRS penalty at any time
- After the account is opened for five tax years, earnings can be withdrawn tax- and penalty-free for any of the following reasons: age 59½ or older, disability, death, or a first-time home purchase[3]

When Can I Withdraw Without Restrictions?

- Earnings are tax-free if account is open for five tax years and withdrawn for one of the following qualified reasons: age 59½ or older, disability, death, or a first-time home purchase[3]
- Not required to start withdrawals at age 70½

1 Subject to annual cost-of-living adjustments (COLAs)

2 MAGI=Modified Adjusted Gross Income from the federal tax form

3 Lifetime limit for exemption on first-time home purchase is $10,000

Coverdell ESAs

Who Can Contribute?

- Anyone who has the following MAGI[2]:
  - Single Filer: $110,000 or less
  - Joint Filers: $220,000 or less
- Some people with higher MAGI[2] may be able to make smaller contributions
- Contributions not allowed after the beneficiary reaches age 18 (contributions after age 18 allowed for special needs beneficiaries)

How Much Can I Contribute?

- $2,000 per child per year
- Limit applies to all Coverdell Education Savings Accounts for the same child

Who Can Make Deductible Contributions?

- No one can deduct contributions

What Are The Tax Advantages?

- Withdrawals for certain qualified education expenses are tax-free
- Special-needs beneficiaries can withdraw funds tax-free to pay for qualified education expenses at any age
- Qualified education expense may include tuition, fees, books, computer equipment and technology required for elementary, secondary and post-secondary education
- A beneficiary may receive tax-free distributions from an Coverdell ESA in the same year he or she claims the Lifetime learning or HOPE Scholarship tax credits

When Can I Withdraw Without Restrictions?

- Withdrawals are tax and penalty-free for qualified higher-education expenses (earnings are subject to tax and penalty for most other withdrawals)
- Funds can be transferred from one child's account to an account for another child in the family

IRAs & Coverdell ESAs

Traditional IRAs are more attractive than ever because expanded income limits mean more people will be able to make tax-deductible contributions. In addition, penalty-free withdrawals are allowed for qualified higher-education expenses and for a first-time home purchase.

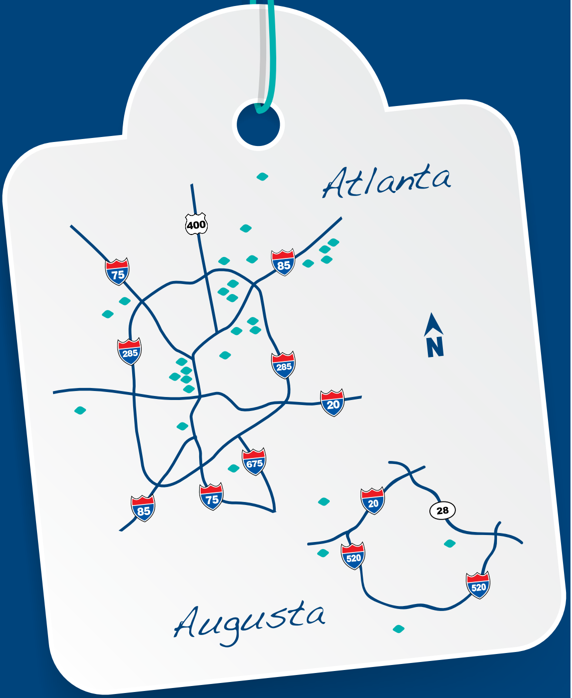
Contributions to Roth IRA or Coverdell Education Savings Accounts aren't tax-deductible, but the accounts offer the opportunity for tax-free earnings.

Your tax adviser can offer more guidance on which type of IRA may be best for your needs. Of course, we are always here to answer your questions and assist you with opening a Traditional or Roth IRA, or Coverdell Education Savings Account. Please stop by or call us today for more information.

We offer members a choice of saving and time deposit accounts for IRA and Coverdell ESA investments. If you would be interested in other investment plans, call (770) 326-7315 for a financial management professional with MEMBERS Financial Services.

What do you call a location near you?

frugalicious!®



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