



Question: **What is the difference between a traditional IRA and a Roth IRA?**

Answer: A traditional Individual Retirement Account allows individuals to make **tax-deductible** contributions to their account as long as they are not participating in an employer-sponsored retirement plan or meet certain income requirements. The earnings in the account grow on a tax-deferred basis. Any money withdrawn from the account is subject to income tax. Withdrawals before age 59 1/2 are also subject to a 10% penalty unless they are for certain "qualified" expenses. You are required to begin taking distributions from your account by age 70 1/2.

In 1998, the IRS introduced the Roth IRA as a way for individuals to contribute **after-tax** dollars that grow tax-free. The biggest difference between a traditional IRA and a Roth IRA is that the gain in a Roth IRA is never taxed as long as the account is held for at least 5 years. Anyone may establish a Roth so long as they (or their spouse, if filing a joint return) receive taxable compensation during the year. In addition, your modified adjusted gross income must meet certain requirements to be eligible to contribute. Unlike Traditional IRAs and other qualified plans, you are never required to take a distribution. There is no age limit for funding a Roth.

15409 S. Route 59, Plainfield, IL 60544-2691

Phone 815-577-0029 ~ Fax 815-439-6903 ~ www.BEACONFPSL.com