More information about IRAs

Individual Retirement Accounts (IRAs) have been an important part of retirement planning for many years. Beginning January 1, 2002, new tax laws increase the annual contribution limits to the **Traditional IRA, the Roth IRA and the Coverdell Education IRA.**

Saving for retirement is about setting financial goals and an individual retirement account is an excellent way to achieve those goals. When you are investing for your future you need to decide which type of IR would be most beneficial to you.

Every individual who has earned income or is the spouse of someone who has compensation may contribute to an IRA.

1. With the Traditional IRA, the amount of your contribution that is tax deductible depends on your income, marital status and whether or not you are an active participant in and employer sponsored retirement plan. Contributions must cease and distributions must begin at age 70-1/2. When you begin making withdrawals, you will be taxed on only the amount you withdraw each year. The remaining funds continue to accumulate tax-deferred earnings.

2. Contributions to Roth IRAs are nondeductible for federal income tax purposes. Like the Traditional IRA accounts, earnings accumulate tax-deferred. However, once the account has been open for five successive years, owners may take tax-free distributions if they meet the required criteria. Roth IRAs permit continuing contributions after age 70-1/2 and there is no requirement to begin withdrawal at age 70-1/2.

CONTRIBUTION LIMITS FOR TRADITIONAL AND ROTH IRAs

2010 $5,000 for singles and $10,000 for married couples filing jointly plus an additional $1,000 catch up for those over 50 years old.

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The **COVERDELL EDUCATION SAVINGS ACCOUNT (CESA)** was created to provide a tax-advantaged savings account for educational purposes. The funds contributed to these accounts are considered a gift to the designated beneficiary under the age of 18. There are no tax deductions for any of the contributions; however, when the beneficiary uses the money for qualified educational expenses, there are no taxes due on any of the interest that the contributions earned.

You are eligible to contribute to a CESA if your adjusted gross income does not exceed certain limits. Contributors can also be non-individuals like corporations or tax-exempt organizations. These entities have no income restrictions to qualify.

The total aggregate contribution into one or more CESAs on behalf of a child is $2,000 per year. A contributor may deposit the maximum allowable contribution into separate CESAs for as many children as desired.

Making contributions to a CESA does not prevent an individual from also contributing to a Traditional or Roth IRA. All current retirement certificate options are available for CESA contributions.

If you are retiring or changing jobs and you anticipate receiving a lump sum payment from a retirement plan, you should consider the benefits of an IRA Rollover. You could find yourself in a tax bind unless you roll your assets into an IRA or other qualified pan. You can ask your employer to arrange for a direct rollover of your distribution to an IRA with us. You will want to know the tax consequences before accepting a distribution from an employer-sponsored retirement plan, an annuity contract or other retirement account.

As always, we encourage you to consult with your tax or legal advisor to review your particular situation. When you decide to open an IRA, ask to speak with one of our representatives. An IRA with Fox Valley Savings Bank will help you reach your retirement goals.