Can Traditional IRA assets be moved?

Traditional IRA holders can take comfort in the fact that their Traditional IRA assets are always available to them, and can be moved to certain IRAs or retirement plans.

Traditional IRA assets may be

- withdrawn and redeposited elsewhere (called a "rollover"),
- moved to another organization by the transaction known as a trustee-to-trustee transfer, or
- moved to a qualified retirement plan, 403(b) tax-sheltered annuity plan, or governmental 457(b) eligible deferred compensation plan, as long as the distribution is taxable.

Can other assets be combined in a Traditional IRA?

Contributions made by an employer to a retirement plan known as a simplified employee pension (SEP) plan are actually contributed to a Traditional IRA, and can be combined with regular Traditional IRA contributions. Assets from a qualified retirement plan, 403(b) plan, governmental 457(b) plan, or savings incentive match plan for employees of small employers (SIMPLE) plan, can also be moved to a Traditional IRA.

When can I use my Traditional IRA assets?

Unlike most employer-sponsored retirement plans in which access is limited to such events as change of employment, plan termination, reaching retirement age, death, or disability, access to Traditional IRA assets is always guaranteed. However, until age 59½, there is a 10 percent early distribution penalty unless you qualify for one of the following exemptions.

- Disability
- Qualifying medical expenses
- Qualifying education expenses
- Health insurance expenses if receiving unemployment compensation (under certain conditions)
- Qualifying first-time homebuyer expenses
- Death
- Receipt of substantially equal periodic payments
- IRS tax levy
- Qualified military reservist distributions

Am I ever required to distribute assets from my Traditional IRA?

Traditional IRA holders who turn age 70½ must begin to take annual distributions from their Traditional IRAs. These distributions are generally based on the Traditional IRA account balance divided by the applicable distribution period. Since the purpose of Traditional IRAs is to provide for retirement—not to be a tax shelter—IRA holders who fail to take their required distributions are subject to tax penalty.

For more information...

For more information about Traditional IRAs, see one of our representatives today.

Traditional IRAs

The Retirement Plan for Everyone

call ActorsFCU for guidance on getting started with your IRA

Today, more than ever before, one of the greatest challenges facing American workers is assuring their financial security in retirement. With uncertainty over the adequacy of Social Security to meet the needs of future retirees, Americans are forced to rely more heavily on their own resources to support their retirement lifestyle.

At the same time, the world of employer-based pensions is also changing. Much less common today is the employer-sponsored defined benefit plan—the kind of plan that assures employees of a dependable income throughout their retirement years. The pension world is changing to one in which employees must make an assertive decision themselves to save for retirement. And, even when an employer retirement plan is available, employees may be required to make most or all of the contributions.

How can I begin to save for retirement?

Individual retirement arrangements (IRAs) are one of the most viable answers to the question of how to assure a secure retirement.

Traditional IRAs offer

- independence, and can be opened and funded without any employer participation,
- immediate tax benefits, with contributions and/or earnings tax-deferred until retirement,
- accessibility, with assets always available (something not generally true of employer plans), and
- flexibility, because IRA owners choose their contribution amount (within limits), investments, and the financial organization.

What are the basic contribution restrictions?

The requirements for contributing to a Traditional IRA are few.

You can contribute if

- you are under age 70½, and
- you or your spouse has earned income from employment.

You can contribute each year up to

- a maximum of $4,000 (for 2006 and 2007), and a
- catch-up contribution of $1,000 if you are age 50 or older.

If eligible, your spouse may be able to contribute the amounts listed above to his or her Traditional IRA as well.

Are all Traditional IRA contributions tax deductible?

One of the immediate benefits of contributing to a Traditional IRA is the potential income tax deduction. Traditional IRA contributors receive a 100 percent deduction on their annual contribution if

- they are not active participants under an employer's retirement plan, or
- they are active participants during 2007, earning no more than $83,000 ($75,000 for 2006) if married and filing jointly, or $52,000 ($50,000 for 2006) if filing single.

For those who are participants in an employer-sponsored retirement plan, Traditional IRA deductibility is gradually phased out above these income levels. However, contributions can still be made on a nondeductible basis.

Should I contribute if I can't take a deduction?

Yes! There are significant benefits to making a Traditional IRA contribution even if it is not currently tax deductible.

A nondeductible contribution

- grows tax-deferred, with earnings sheltered from taxation until withdrawn,
- has already been taxed and will not be taxed again, and
- is still one step closer to a secure retirement.

Am I eligible to take a tax credit for my IRA contributions?

If you fall within certain income limits, you may be eligible for an income tax credit of up to 50 percent of your retirement savings contributions that do not exceed $2,000. An eligible individual is someone who is

- at least 18 years of age as of the close of the taxable year,
- not eligible to be claimed a dependent of another taxpayer, and
- not a full-time student.

Please see a competent tax advisor to determine if you qualify for this credit.