



The Roth Individual Retirement Account

The Roth IRA (named after Senate Finance Committee Chairman William Roth) is an IRA to which contributions are not deductible, but distributions (including earnings) can be withdrawn tax-free under certain conditions.

Eligibility

Single taxpayers with modified adjusted gross income:

- Of less than \$125,000 for 2021 are eligible to make a full contribution;
- Between \$125,000 and \$140,000 for 2021 may make partial contributions;
- Over \$140,000 for 2021 are not eligible to contribute.

Married taxpayers filing jointly with modified adjusted gross income:

- Of less than \$198,000 for 2021 are eligible to make a full contribution;
- Between \$198,000 and \$208,000 for 2021 may make partial contributions;
- Over \$208,000 for 2021 are not eligible to contribute to a Roth IRA.

Contributions

- Contributions are not deductible.
- The maximum contribution allowed, either to a traditional IRA or Roth IRA or a combination of each, is the lesser of 100% of earned income or \$6,000 for 2021.
- A married couple filing jointly can contribute up to an additional \$6,000 for a non-working spouse, as long as the contributions do not exceed their combined earned income.
- Catch-up contribution for individuals age 50 and older is \$1,000.
- Contribution deadline is the individual's tax return due date (excluding extensions).

Distributions

- Distributions can occur penalty free and tax free if "qualified."
- A distribution is considered qualified if the assets have been held in the Roth IRA for a minimum of five taxable years (beginning with the first taxable year for which a Roth contribution was made) *and* when one of the following events occur:
 - 1) attainment of age 59½;
 - 2) disability;
 - 3) the purchase of a first home; or
 - 4) death.
- Distributions from the Roth IRA are not mandatory at age 72.
- A non-qualified distribution may be subject to tax and penalty to the extent that it exceeds total contributions. Exceptions may apply.

Rollovers

- A rollover from one Roth IRA to another must occur within 60 days from the date of the withdrawal or it may be considered a distribution. Only one rollover may occur in each 12-month period per individual.
- A rollover of after-tax contributions (in addition to designated 401(k) Roth contributions) may be deposited into a Roth IRA tax- and penalty-free.

Before making decisions about Individual Retirement Accounts, investors should consult their tax advisor. Stifel does not offer tax advice.