Are you interested in opening a Traditional IRA but have some questions? The questions and answers given here may help you make a more informed decision on whether a Traditional IRA is right for you.

Learn more today.

**Q. What is a Traditional IRA?**

**A.** A Traditional IRA is an individual retirement arrangement that allows you to save for retirement with tax-deferred earnings and the possibility of tax-deductible contributions. These tax advantages make the Traditional IRA a powerful tool in creating a balanced, long-term savings plan.

**Q. How does a Traditional IRA work?**

**A.** You are eligible to contribute to a Traditional IRA as long as:
- you (or your spouse if filing a joint tax return) earn compensation from employment, and
- you have not reached age 70½ before the end of the year.

You may be eligible to deduct the amount of your contribution on your federal income tax return for the year. Potential earnings accrue tax-deferred on the investments within the Traditional IRA each year, increasing your IRA balance. You can withdraw your assets at any time, but tax and penalties may apply, depending on your age and what type of assets you remove. Once you reach age 70½, however, you must remove a minimum amount from your Traditional IRA each year.

**Q. How much can I contribute to a Traditional IRA?**

**A.** If you meet the eligibility requirements described above, you can contribute 100 percent of your annual compensation up to $5,500 for 2016 and for 2017 ($6,500 if you are age 50 or older). Contribution limits are subject to annual cost-of-living adjustments (COLAs).
Q. What is the deadline for making Traditional IRA contributions each year?
A. You can contribute to your IRA until the due date for filing your federal income tax return for the year. For most individuals this date is April 15.

Q. How do I determine if I am eligible to deduct my Traditional IRA contribution?
A. One of the key benefits of contributing to a Traditional IRA is the potential for a tax deduction up front. You can deduct 100 percent of your contribution if in the year of the contribution, you and your spouse are not active participants in employer-sponsored retirement plans.

If you or your spouse are active participants, your IRA deduction depends on your tax filing status and the amount of your modified adjusted gross income (MAGI). For 2017, you may deduct 100 percent of your contribution if you are an active participant filing a joint income tax return and your MAGI is $99,000 or less, and for single filers, $62,000 or less. And if you are not an active participant but your spouse is, you can deduct the full contribution amount if your joint MAGI is $186,000 or less. You should consult with a competent tax advisor to determine your deductibility.

If you (or your spouse) are an active participant, and your MAGI is over the limits previously mentioned, the amount of your IRA deduction is gradually phased out, meaning that you may be able to take only a partial deduction or no deduction at all. See below for the current income limits. These limits are subject to cost-of-living adjustments (COLAs). Keep in mind though, that if you cannot deduct your contribution, you can make nondeductible contributions, and nondeductible contributions are not taxable to you when distributed.

Q. Am I eligible for a tax credit for my Traditional IRA contribution?
A. If your income falls within certain limits, you may qualify for the saver’s tax credit of up to $1,000. In addition, you must
• be at least 18 years of age at the close of the taxable year,
• not be eligible to be claimed as a dependent by another taxpayer, and
• not be a full-time student.

See IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs), or consult your tax advisor to find out if you are eligible for this credit.

Q. Can I own and contribute to more than one Traditional IRA?
A. Yes. If you sign one Traditional IRA plan agreement and make subsequent contributions under that same agreement, only one Traditional IRA exists. If you sign more than one plan agreement for a Traditional IRA, then you own multiple Traditional IRAs and can make contributions to each one. But you must aggregate all of your IRA contributions for the year and stay within the applicable limit.

Q. If I contribute to a Roth IRA, can I also contribute to a Traditional IRA?
A. Yes. But the annual contribution limits described previously apply to both Traditional and Roth IRA contributions that you make for the year in aggregate. Thus, you may contribute a partial amount to both, as long as the total does not exceed your annual limit.

Q. Can I still contribute to a Traditional IRA if I participate in another retirement plan?
A. Yes. Your participation in an employer-sponsored retirement plan will not affect your ability to contribute to a Traditional IRA (assuming age and compensation requirements are met). But, depending on your income level, if you do participate (receive contributions) in a retirement plan, you may lose the ability to deduct your Traditional IRA contribution.

Q. Will contributing to my Traditional IRA affect the amount that I can contribute to my employer-sponsored retirement plan?
A. No. The amount you contribute to your Traditional IRA will not affect the amount you contribute to your employer-sponsored retirement plan.

Q. Can other retirement plan assets be deposited into a Traditional IRA?
A. Simplified employee pension (SEP) plan employer contributions can be made to a Traditional IRA. In addition, eligible assets from qualified retirement plans, 403(b) plans, governmental 457(b) plans, the federal Thrift Savings Plan, and savings incentive match plan for employees of small employers (SIMPLE) IRA plans can be rolled over to Traditional IRAs.

MAGI Limits for Traditional IRA Tax Deductions

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<tr>
<th>IRA Owner</th>
<th>Year</th>
<th>Full Deduction</th>
<th>Partial Deduction</th>
<th>No Deduction</th>
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<td>Single, Active Participant</td>
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<td>$61,000 or less</td>
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<td>2017</td>
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<td>Active Participant, Filing Joint</td>
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<td>$186,000–$196,000</td>
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<td>Tax Return*</td>
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*If married, filing separate tax returns and MAGI is under $10,000, a partial Traditional IRA deduction can be taken. This amount is not subject to COLAs.
Q. Can I move my Traditional IRA assets into another retirement plan?
A. Yes. If the plan allows for it, you may roll over the pretax portion of your Traditional IRA to an eligible employer-sponsored retirement plan. You also may move Traditional IRA assets to a Roth IRA; this is called a conversion and requires you to include the pretax portion of your conversion in your taxable income for the year. Note that Traditional IRA assets can even be rolled over to SIMPLE IRAs after the SIMPLE IRA owner has satisfied a two-year waiting period.

Q. Can I move money from one Traditional IRA to another Traditional IRA that I own?
A. Yes. A transfer or rollover between your Traditional IRAs is always tax-free and can be done regardless of your income.

Q. Can I withdraw money from my Traditional IRA at any time?
A. Unlike most other retirement plans, you can always withdraw money from your Traditional IRA. You may be subject to an IRS penalty tax if you withdraw from your IRA before you are age 59½, unless you meet certain penalty tax exceptions.

Q. If I withdraw money from my Traditional IRA before age 59½, do I pay a penalty tax?
A. In general, you will pay a 10 percent penalty tax on taxable withdrawals you take before age 59½. The penalty tax does not apply however, if you qualify for one of the following exceptions.
   • Death
   • Disability
   • First-time homebuyer expenses
   • Qualified higher education expenses
   • Certain unreimbursed medical expenses
   • Substantially equal periodic payments
   • Health insurance premiums during unemployment
   • IRS levy
   • Qualified reservist distributions

Q. Will I ever be required to withdraw money from my Traditional IRA?
A. Yes. Once you reach age 70½, the IRS mandates that you take out a minimum amount each year. The amount that you have to take generally is calculated by dividing the previous year’s ending account balance by a distribution period based on your age and one of the IRS’ life expectancy tables. Note that the amount required is the minimum you must take for the year; you can always take more. If you fail to remove your required minimum amount by the end of the year for which it is due, you will be subject to an IRS penalty tax.

Q. Will I have to pay tax on the amount I withdraw from my Traditional IRA?
A. You must include all pretax assets (deductible contributions and earnings) in your taxable income when you withdraw money from your Traditional IRA. If you have made nondeductible contributions to a Traditional IRA or have rolled over nondeductible contributions from a retirement plan to your IRA, a portion of each distribution will be treated as the nontaxable return of these contributions.

Q. What happens to my Traditional IRA after my death?
A. You may designate one or more beneficiaries to receive the assets in your IRA after your death. If your spouse is your beneficiary, your spouse may transfer or roll over your Traditional IRA to his or her own Traditional IRA. All beneficiaries have the option of taking a lump-sum payment. Your beneficiaries also may be allowed to take payments over a number of years. Any tax-deferred money in your Traditional IRA at the time of your death will be taxed as it is distributed to your beneficiaries.

For More Information
Talk to us—we’ll be glad to provide you with more information about Traditional IRAs.