IRA | Helping You on the Road to Retirement

IRAs

Wright-Patt Credit Union® (WPCU®) provides a complete line of Individual Retirement Account (IRA) products to help you on your road to retirement. Whether you're looking for the safety of an insured deposit with a guaranteed rate of return, we can help you find the right products to meet your needs.

WITH AN IRA, YOU CAN:

- Receive Saver's Credit – Receive a credit on your federal income taxes by contributing to a retirement plan.
- Make Annual Contributions – Contribute up to $7,000 each year to your Traditional or Roth IRA.
- Catch-Up Provisions – If you are over 50, you can also put an additional $1,000 into your IRA each year.
- Rollover a 401(k) – You can put your 401(k) funds into a Traditional IRA when you leave a job.**

TRADITIONAL IRA

What is it?

In a Traditional IRA you make contributions with money you may be able to deduct on your tax return. Any earnings can grow tax-deferred until you withdraw them. The main tax advantage of the Traditional IRA is that you may be able to deduct the amount of your contribution from your gross income before you figure your taxes, which lowers your current tax bill. For example: If your income in 2023 was $30,000 and you funded an IRA for $3,000, your income tax would be figured on $27,000.

Who is it for?

A Traditional IRA may be a good choice if you qualify for a current tax deduction or if you expect to be in a much lower tax bracket in retirement.

ROTH IRA

What is it?

With a Roth IRA you make contributions with money you've already paid taxes on and your money can grow tax-free, with tax-free withdrawals in retirement if certain conditions are met. While your contributions give you no current break on your income tax like the Traditional IRA, when you start taking money out of a Roth IRA, it is generally tax-free.

Who is it for?

A Roth IRA may provide the most advantages for people with longer time periods until retirement.

Withdrawals prior to age 59 ½ may be subject to an early withdrawal penalty.

	TRADITIONAL IRA	ROTH IRA
PROS	• IRA earnings grow tax-deferred. • Current tax deduction reduces your tax liability. • Penalty-free early withdrawals are allowed for a qualified first-home purchase (up to $10,000), for higher education, in cases involving death or disability, and the payment of certain health insurance and medical bills. These withdrawals are taxable. • Withdrawals can be made for any purpose without a penalty after age 59 ½ or in the case of death or disability.	• Contributions can be withdrawn tax-free and penalty-free at any time. • Earnings on contributions can be withdrawn tax-free and penalty-free if the initial contribution was made at least five years ago, and you meet one of the following conditions: 1. At least 59 ½ years of age 2. Purchasing a home for the first time ($10,000 limit) 3. Disabled 4. Deceased • There are no age restrictions for contributions as long as you (or your spouse) have earned income. • There are no age requirements for withdrawing money from the IRA
CONS	• Unless eligibility requirements are met, you cannot take a deduction on your contributions. • Your contributions and earnings are taxed as income when withdrawn. • Early withdrawals cannot be made without incurring taxes or possible penalties. • Withdrawals must be made after reaching age 73.	• Roth earnings cannot be withdrawn, without a penalty, unless the account has been held for five years and the age of 59 ½ has been passed. However, there are some exceptions to this rule. • If your Modified Adjusted Gross Income* is too high, you may not be eligible to contribute.

*MAGI = Modified Adjusted Gross Income – To arrive at your MAGI, start with your adjusted gross income (AGI) on your tax return, and talk with your tax advisor to verify how the AGI changes, or is modified, by certain losses or deductions.