

Understanding Traditional and Roth IRAs

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Traditional IRAs: 2025 Deductibility of Contributions

If you are covered by a retirement plan at work, use this table to determine if your modified adjusted gross income (MAGI) affects the amount of your deduction.

IF YOUR FILING STATUS IS ...	AND YOUR MAGI IS ...	THEN YOU CAN TAKE ...
single or head of household	\$79,000 or less	a full deduction up to the amount of your contribution limit.
	more than \$79,000 but less than \$89,000	a partial deduction.
	\$89,000 or more	no deduction.
married filing jointly or qualifying widow(er)	\$126,000 or less	a full deduction up to the amount of your contribution limit.
	more than \$126,000 but less than \$146,000	a partial deduction.
	\$146,000 or more	no deduction.
married filing separately	less than \$10,000	a partial deduction.
	\$10,000 or more	no deduction.

If you file separately and did not live with your spouse at any time during the year, your IRA deduction is determined under the “Single” filing status.

Traditional IRAs: 2025 Deductibility of Contributions

If you are not covered by a retirement plan at work, use this table to determine if your modified adjusted gross income (MAGI) affects the amount of your deduction.

IF YOUR FILING STATUS IS ...	AND YOUR MAGI IS ...	THEN YOU CAN TAKE ...
single, head of household or qualifying widow(er)	any amount	a full deduction up to the amount of your contribution limit.
married filing jointly or separately with a spouse who is not covered by a plan at work	any amount	a full deduction up to the amount of your contribution limit.
married filing jointly with a spouse who is covered by a plan at work	\$236,000 or less	a full deduction up to the amount of your contribution limit.
	more than \$236,000 but less than \$246,000	a partial deduction.
	\$246,000 or more	no deduction.
married filing separately with a spouse who is covered by a plan at work	less than \$10,000	a partial deduction.
	\$10,000 or more	no deduction.

If you file separately and did not live with your spouse at any time during the year, your IRA deduction is determined under the “Single” filing status.

Roth IRAs: 2025 Contribution Limits—Effect of Modified AGI (MAGI) on Roth Contributions

This table shows whether your contribution to a Roth IRA is affected by the amount of your MAGI as computed for Roth IRA purpose.

IF YOU HAVE TAXABLE COMPENSATION AND YOUR FILING STATUS IS...

AND YOUR MODIFIED AGI IS...

THEN...

married filing jointly or qualifying widow(er)	\$236,000 or less	you can contribute up to the limit.
	more than \$236,000 but less than \$246,000	the amount you can contribute is reduced.
	\$246,000 or more	you cannot contribute to a Roth IRA.
married filing separately and you lived with your spouse at any time during the year	zero (-0-)	you can contribute up to the limit.
	more than zero (-0-) but less than \$10,000	the amount you can contribute is reduced.
	\$10,000 or more	you cannot contribute to a Roth IRA.
Single, head of household, or married filing separately and you did not live with your spouse at any time during the year	\$150,000 or less	you can contribute up to the limit.
	more than \$150,000 but less than \$165,000	the amount you can contribute is reduced.
	\$165,000 or more	you cannot contribute to a Roth IRA.

Comparison of Traditional IRAs and Roth IRAs

THE TRADITIONAL IRA

THE ROTH IRA

Who May Establish?	An individual who has earned income or whose spouse has earned income. Note: Subject to certain conditions, an individual can establish an IRA with a rollover from an eligible retirement plan or a transfer from another IRA, even if the individual doesn't satisfy the above requirements.	An individual who has earned income or whose spouse has earned income. Note: Subject to certain conditions, an individual can establish a Roth IRA with a rollover or conversion from an eligible retirement plan or a transfer from another Roth IRA, even if the individual doesn't satisfy the above requirements.
Contribution Eligibility	An individual with sufficient earned income can contribute to a Traditional IRA, but an individual's eligibility to take a federal income tax deduction for his or her traditional IRA contribution may be reduced or eliminated as discussed earlier.	Roth IRA contribution may be limited when modified AGI exceeds certain limits. Refer to the above charts for further details on contribution limits.
Annual Contribution Limits (2025)*	\$7,000 (or, if age 50 or older, \$8,000) or 100% of earned income, whichever is less.*	\$7,000 (or, if age 50 or older, \$8,000) or 100% of earned income, whichever is less.*
Deductibility	Deductibility of contributions depends upon MAGI and coverage by a retirement plan at work.	All contributions are nondeductible.
Required Minimum Distributions (RMDs)	The age at which an individual must start taking RMDs ("RMD Age"), depends on the year in which the individual was born (e.g., if born after 1950, but before 1960, RMD Age is 73).** The first distribution may be postponed to April 1 of the following year. However, if you choose this option, you will have to take two RMDs in one tax year. RMD rules apply to beneficiaries of Traditional IRAs after the account owner's death.	No distributions are required during life of the owner. RMD rules apply to beneficiaries of Roth IRAs after the account owner's death.

*Maximum annual contribution to either a Traditional IRA or Roth IRA, or any combination of Traditional IRAs and/or Roth IRAs.

**RMD Age is (a) age 70 ½ for individuals born before July 1, 1949, (b) age 72 for individuals born after June 30, 1949, but before 1951, (c) age 73 for individuals born after 1950, but before 1960, or (d) age 75 for all others.

Comparison of Traditional IRAs and Roth IRAs (Continued)

	THE TRADITIONAL IRA	THE ROTH IRA
How Are Distributions Taxed?	<p>All distributions subject to ordinary income tax, except to the extent it consists of a return of your after-tax contributions (e.g., nondeductible contributions). 10% penalty tax applies unless the distribution is:</p> <ul style="list-style-type: none"> • made when the IRA owner is age 59½ or over • used for qualifying first-time homebuyer expenses (\$10,000 lifetime limit) • used for qualified higher education expenses¹ incurred by the IRA holder or certain family members • distributed to beneficiaries upon IRA holder's death • used to cover unreimbursed qualifying medical expenses exceeding 7.5% of adjusted gross income (AGI) which is defined as gross income minus adjustments to income • used to purchase medical insurance after receiving unemployment compensation for more than 12 weeks (subject to certain conditions) • due to a qualifying disability • made under a qualifying Substantially Equal Periodic Payments schedule • a qualified reservist distribution • a qualified disaster distribution (up to \$22,000 per disaster) • made pursuant to a qualifying IRS levy • a qualified birth or adoption distribution (up to \$5,000 per qualifying birth or adoption) • due to a terminal illness (physician certification that condition is reasonably expected to result in death within 84 months) • a qualifying domestic abuse distribution (up to the lesser of (i) \$10,000 (as indexed), or (ii) 50% of the IRA value) • an emergency personal expense distribution (up to \$1,000) 	<p>For the purpose of taxation, distributions are considered to come from regular contributions first, conversion contributions second (certain ordering rules apply), and earnings last. Since regular contributions are nondeductible, they are tax-free and penalty tax-free upon withdrawal at any time. There are three different tax treatments for distributions of earnings from Roth IRAs.</p> <p>Tax-Free, Penalty Tax-Free (Qualified Distributions) Distribution of earnings taken after the Five-Year Holding Period² and under any one of the following circumstances:</p> <ul style="list-style-type: none"> • on or after age 59½ • qualifying first-time home purchase (up to \$10,000 lifetime maximum) • due to a qualifying disability • distributed to beneficiaries upon IRA holder's death <p>Ordinary Income Tax, No Penalty Tax (Non-Qualified Distribution) Distribution of earnings taken before the Five-Year Holding Period² has expired and under any one of the following circumstances:</p> <ul style="list-style-type: none"> • on or after age 59½ • for a Life Event: <ul style="list-style-type: none"> – qualifying first-time home purchase (up to \$10,000 lifetime maximum) – due to a qualifying disability – distributed to beneficiaries upon IRA holder's death – used for qualified higher education expenses¹ incurred by the IRA holder or certain family members – used to cover unreimbursed medical expenses exceeding 7.5% of AGI – used to purchase medical insurance after receiving unemployment compensation for more than 12 weeks (subject to certain conditions) – made under a qualifying Substantially Equal Periodic Payments schedule – a qualified reservist distribution – a qualified disaster distribution (up to \$22,000 per disaster) – made pursuant to a qualifying IRS levy – a qualified birth or adoption distribution (up to \$5,000 per qualifying birth or adoption) – due to a terminal illness (physician certification that condition is reasonably expected to result in death within 84 months) – a qualifying domestic abuse distribution (up to the lesser of (i) \$10,000 (as indexed), or (ii) 50% of the IRA value) – an emergency personal expense distribution (up to \$1,000) <p>Ordinary Income Tax, With 10% Penalty Tax (Non-Qualified Distribution)</p> <ul style="list-style-type: none"> • before age 59½, and • not a Life Event Distribution • regardless of how long the Roth IRA has been held <p>Withdrawal of amounts converted from a Traditional IRA or qualified plan: If the federal income tax on the conversion has been paid, a distribution of the conversion amount will be federal income tax-free. However, the 10% penalty tax could apply to a distribution that is treated as coming from the portion of a conversion contribution that was subject to tax at the time of the conversion if the IRA holder is under age 59½ and the distribution occurs before the end of the five-year period for that particular conversion contribution, unless an exception applies. Each conversion contribution has a separate five-year period for purposes of determining whether the early withdrawal 10% penalty tax applies, which begins on January 1 of the year in which the conversion contribution is made to the Roth IRA and is determined independently from the Five-Year Holding Period for qualified distributions. Consult your tax advisor for more information.</p>

¹ Note: The term "qualified higher education expenses" includes tuition, fees, books, supplies and equipment for the attendance of a student at any eligible education institution as well as room and board if the individual is at least a half-time student (subject to certain limits). Qualified higher education expenses include expenses relating to undergraduate or graduate-level courses.

² The "Five-Year Holding Period" for qualified distributions begins on January 1 of the first year for which a regular contribution (or in which a rollover or conversion contribution) is made to any Roth IRA established for you as owner and ends at the end of five full calendar years. Once the Five-Year Holding Period has been satisfied with respect to any Roth contribution, it is deemed to be satisfied for all later Roth IRA contributions.

Source: IRS Publications 590-A and 590-B, Individual Retirement Arrangements (IRAs).

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