Roth IRA

Overview
The Roth individual retirement account (IRA) was created through the Taxpayer Relief Act of 1997 to provide an alternative to making non-deductible contributions to traditional IRAs. The Roth IRA allows for after-tax contributions with the potential for tax-free income in retirement.

Investment Choices
An Edward Jones self-directed Roth IRA allows an individual to invest in a wide variety of investments, including stocks, bonds, mutual funds, CDs and money market.

Contributions
An individual may contribute up to the lesser of 100% of their taxable compensation or the applicable limit below.

Contribution Type	2019	2020
Regular Limit	$6,000	$6,000
Catch-Up (Age 50 and up)	$1,000	$1,000
Total Possible (If age 50 and up)	$7,000	$7,000

Additional Rules:

- **Spousal Contributions -** Contribution can be made for a non-working spouse if the couple is married, files a joint return and the working spouse has taxable compensation..
- **Deadlines -** Contributions can be made at any time during the year up to the tax-filing deadline, not including extensions (generally July 15th).
- **Deductions and Credits –** Contributions are not deductible but may produce a tax credit (See "Savers Credit" in IRS Publication 590).
- **Contributions must be made in cash -** By check, money order or transfer.
- **Traditional and Roth Contributions for Same Individual -** The stated limit is the maximum an individual can contribute between both Roth and traditional IRAs.
- **Catch-Up Contributions –** Can be made for the year in which the individual turns age 50 or older, beginning in the year the individual turns age 50 by December 31st.

Eligibility
To be eligible to contribute to a Roth IRA, an individual must have taxable compensation as well as meet the below Modified Adjusted Gross Income (MAGI) limits:

Modified Adjusted Gross Income (MAGI) Phase-out Ranges*

Filing Status	2019	2020	Eligibility
Single or Head of Household	Below $122,000	Below $124,000	Full Contribution
	Between $122,000- $136,999	Between $124,000 - $138,999	Partial Contribution
	$137,000 or Above	$139,000 or Above	No Contribution
Married Filing Jointly	Below $193,000	Below $196,000	Full Contribution
	Between $193,000-$202,999	Between $196,000-$205,999	Partial Contribution
	$203,000 or Above	$206,000 or Above	No Contribution
Married Filing Separately (Living with spouse)	$0	$0	Full Contribution
	Between $0 - $9,999	Between $0 - $9,999	Partial Contribution
	$10,000 or Above	$10,000 or Above	No Contribution
Married Filing Separately (Not living with spouse)	Below $122,000	Below $124,000	Full Contribution
	Between $122,000- $136,999	Between $124,000 - $138,999	Partial Contribution
	$137,000 or Above	$139,000 or Above	No Contribution

*These ranges only apply to Roth contributions, **not** Roth conversions – individuals at any income level can convert.

Conversions
A Roth conversion is a strategy used by individuals with an existing traditional, SEP or SIMPLE IRA. This irrevocable strategy allows individuals to pay taxes now and move their existing retirement account to a Roth IRA in order to benefit from potential tax-free distributions from the Roth IRA. Conversions must be completed by December 31st in order to be taxable in the current year. In addition, individuals at any income level are able convert to a Roth IRA.

Distributions
The main tax advantage of the Roth IRA is that contributions grow tax-deferred and distributions are potentially tax-free. Roth distribution rules are unique, and in order for all money to be distributed tax-free, an individual must have held the account for at least five years and must meet one of the following four events: 1) IRA owner attains 59 ½ 2) Death 3) Disability 4) First time home purchase. For additional details, see IRS Publication 590. Contributions to Roth IRAs may be removed at any time without tax or penalty. This is regardless of the account holder's age or length of time the account has been funded. If you fund your Roth IRA through a rollover conversion, the tax consequences may be different.