

Comparison of Traditional IRAs and Roth IRAs

	Traditional IRA	Roth IRA
Maximum yearly contribution (2020)	Lesser of \$6,000 or 100% of earned income (\$7,000 if age 50 or older)	Lesser of \$6,000 or 100% of earned income (\$7,000 if age 50 or older)
Income limitation for contributions	No	Yes
Tax-deductible contributions	Yes. Fully deductible if neither you nor your spouse is covered by a retirement plan. Otherwise, your deduction depends on your income and filing status.	No. Contributions to a Roth IRA are never tax deductible.
Age restriction on contributions	Yes. You cannot make annual contributions beginning with the year you reach age 70 1/2.	No
Tax-deferred growth	Yes	Yes; tax free if you meet the requirements for a qualified distribution.
Required minimum distributions during lifetime	Yes. Distributions must begin by April 1 following the year you reach age 70 1/2.	No. Distributions are not required during your lifetime.
Federal income tax on distributions	Yes, to the extent that a distribution represents deductible contributions and investment earnings.	No, for qualified distributions. For nonqualified distributions, only the earnings portion is taxable.

10% penalty on early distributions	Yes, the penalty applies to taxable distributions if you are under age 59 1/2 and do not qualify for an exception.	No, for qualified distributions. For nonqualified distributions, the penalty may apply to the earnings portion. (Special rules apply to amounts converted from a traditional IRA to a Roth IRA.)
Includable in taxable estate of IRA owner at death	Yes	Yes
Beneficiaries pay income tax on distributions after IRA owner's death	Yes, to the extent that a distribution represents deductible contributions and investment earnings.	Generally no, as long as the account has been in existence for at least five years.

Need help making important IRA decisions?

If you have any questions about IRAs, we want to help. As a member of Arsenal Credit Union you have access to David Weis, our knowledgeable financial advisor available through our broker-dealer CUSO Financial Services, L.P. (CFS)*. [Click here to learn more about David and the services he offers.](#)

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