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Today's IRAs

YOU HAVE CHOICES: TRADITIONAL · ROTH · COVERDELL

Traditional IRAs

Traditional IRAs offer tax-deductible and tax-deferred accumulation of earnings.

Regardless of income, you and your spouse can each contribute up to \$6,500 per year of your earned income for that year to traditional IRAs. If neither of you is actively involved in an employment-based retirement plan, your contributions are fully tax-deductible. If one of you has a retirement plan, your contributions may be fully or partially deductible, depending on your income. In addition, if you are age 50, you may contribute an additional catch-up contribution of \$1,000 for 2023. The income limits that determine deductibility may increase annually.

Distributions from a traditional IRA before age 59½ are subject to a 10 percent penalty except in the event of your death, disability or other qualifying reasons. You can also withdraw a lifetime total of \$10,000 without penalty to buy a first home. Additional funds may be used to pay for higher education for yourself or for your spouse, children or grandchildren. Amounts withdrawn for college can pay for tuition, books, supplies, equipment, and room and board.

ROTH IRAs

The Roth IRA offers tax-free accumulation of investment savings. You do not pay taxes at any time on earnings for qualified distributions — those made after five years and upon your death or disability, after age 59½, or for a first home purchase (up to \$10,000 for the latter). If you have earned income, you can continue to make contributions to a Roth IRA.

You are allowed to contribute up to \$6,500 (single) or \$13,000 (joint) of earned income to a Roth IRA if your adjusted gross income is less than \$138,000 (single) or \$218,000 (joint) for 2023. In addition, if you are age 50, you may contribute an additional catch-up contribution of \$1,000 for 2023. Contributions are not tax-deductible. You can roll over contributions from existing traditional IRAs into Roth IRAs without a 10 percent penalty (rollovers are subject to income tax).

If you contribute to both a traditional IRA and a Roth IRA in any year, the maximum combined contribution is \$6,500 (single) or \$13,000 (joint) with an additional catch up if age 50 or over.

Coverdell Savings Account

The Coverdell Savings Account is solely for education savings. Like the Roth IRA, it features tax-free investment earnings, with nondeductible contributions.

You are allowed to contribute up to \$2,000 per beneficiary per year to a Coverdell Savings Account until the beneficiary turns 18, if your adjusted gross income is less than \$95,000 (single) or \$190,000 (joint). You must distribute all funds in the account before the beneficiary reaches age 30 or roll them over into an education IRA for another child. Distributions are tax-free and penalty-free only if used for qualified educational expenses.

Important:

If contributions to one or more education IRAs for any beneficiary exceed \$2,000 per year, some distributions might be taxable, and some penalties might apply. To avoid unexpected taxes and penalties, grandparents and other individuals should check with the parents of beneficiaries before setting up or contributing to education IRAs.

Traditional, Roth and Coverdell (Education) IRAs offer ways to save. In your savings strategy for retirement, higher education, and your first home purchase, IRAs can play a bigger role than ever before.

YOUR IRA CHOICES	CONTRIBUTIONS			QUALIFIED AND PENALTY-FREE DISTRIBUTIONS	TAX STATUS OF EARNINGS ON QUALIFIED DISTRIBUTIONS
	MAXIMUMS	TAX DEDUCTIBILITY	AGE LIMIT		
Traditional IRA	\$6,000 for singles or \$12,000 for couples. Maximum combined contribution of \$6,000 per individual to traditional and Roth IRAs. If age 50 or older, may contribute an additional \$1,000 in 2022.	All or partly deductible, depending on income and retirement plan participation.	Contributions allowed at any age with earned income.	<ul style="list-style-type: none"> • Death • Disability • Age 59½ • Substantially equal periodic payments • Qualifying medical expenses • Certain health insurance premiums • Qualified higher education expenses • Qualified first-time home buyers (up to \$10,000) 	Taxable
Roth IRA	Up to \$6,000 for singles or \$12,000 for couples, depending on income. Maximum combined contribution of \$6,000 per individual to traditional and Roth IRAs. If age 50 or older, may contribute an additional \$1,000 in 2022.	Not deductible	Contributions allowed at any age with earned income.	<p>\$10,000 to buy your first house.</p> <p>Distributions in the event of your death or disability.</p> <p>Distributions after age 59½.</p> <p>To avoid penalty, funds may not be withdrawn until they have been in an account for 5 years from initial contribution.</p>	Tax-free
Coverdell Savings Account — Education IRA	Depending on income, up to \$2,000 per year per beneficiary.	Not deductible	Must be made before beneficiary reaches age 18.	All distributions to beneficiary before age 30 and used for qualified educational expenses or rolled over into another education IRA.	Tax-free

You can set up both traditional and Roth IRAs, as well as education IRAs, as D.A. Davidson & Co. accounts.

D.A. Davidson & Co. is not a tax advisor. Before investing in any IRA, consult with your personal tax advisors about the specific tax consequences and advantages for your situation.