

## IRA TRIGGERS

### Life Triggers

#### **Job Change**

This is a good opportunity to ask if the member would like to transfer funds from the previous employer's retirement plan into an IRA at your credit union.

#### **50<sup>th</sup> Birthday**

IRA owners age 50 or older can make an additional "catch-up" contribution. Inform your members of this benefit, and recommend that they either open an IRA at your credit union, or begin contributing the maximum amount.

#### **Retirement**

Many members are looking for insured investments for their retirement savings once they leave the workforce. Inform them that your credit union offers IRAs.

#### **Birth of a child or grandchild**

Ask the member if they have thought about saving for their child's education. With education costs rising at an alarming rate, a Coverdell Education Savings Account may be a good way to help plan for those increasing costs.

### Financial Triggers

#### **Makes large deposit**

If the member mentions that their large deposit is from a retirement plan, ask the member if they would like to discuss opening an IRA at your credit union.

#### **Has no employer pension plan**

Discuss the benefits of saving for retirement, and let the member know that your credit union offers IRAs.

#### **Talks about stock market concerns**

Inform the member that your credit union offers IRAs that have a guaranteed rate of return and that IRAs owned by a member of an NCUA insured credit union are insured in the aggregate up to \$250,000. This may be especially effective with members who are nearing retirement.

#### **Has/opens a business account**

Ask if a retirement plan is in effect for the business. If not, provide information on a Simplified Employee Pension Plan (SEP) which allows the business owner to place retirement plan contributions directly in IRAs owned by each employee (including the owner). Let the member know that your credit union can help administer the plan.



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## FREQUENTLY ASKED IRA QUESTIONS

### What are the most significant differences between a Roth IRA and a traditional IRA?

The main differences are the tax treatment of the initial deposit, and the future earnings. With a traditional IRA, you may be able to deduct contributions, which will reduce your tax liability now. You pay taxes on the funds when you withdraw them. Roth IRAs do not offer tax deductions, but as long as you have the account for at least five years and wait until age 59½ before withdrawing the money, you never pay taxes on the earnings.

### Am I eligible for an IRA?

That depends on the type of IRA you would like to open. If you are eligible, you may contribute to both IRA types, but your total contributions to both must not exceed the annual limit. This is general information and you should seek tax advice to help determine the best IRA for you.

| IRA Type        | Age Limit | MAGI Requirements  |
|-----------------|-----------|--|
| Traditional IRA | Under 70½ | Single Filer: Must have earned compensation<br>Married, Joint Filer: One must have earned compensation         |
| Roth IRA        | None      | Single Filer: Must have earned less than \$105,000<br>Married, Joint Filer: Must have MAGI less than \$166,000 |

### How much money can I contribute to an IRA?

You may contribute 100% of your compensation, up to the annual contribution limit for the year to which you are allocating your contribution. "Catch-up" contributions are available if you are age 50 or older by December 31 of the year for which you are making contributions.

| Tax Year | Individual Contribution Limit   | "Catch-up" Amount<br>(for Owners 50 or older) | Total Contribution<br>(for Owners 50 or older) |
|----------|---|---|--|
| 2008     | \$5,000   | \$1,000                                       | \$6,000  |
| 2009     | \$5,000<br>Future years may be adjusted for inflation in \$500 increments | \$1,000                                       | \$6,000  |

Not intended as tax advice; please consult a tax professional.  
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