

# What is the Difference Between a Traditional IRA and a Roth IRA?

## Description:

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There are some key differences between these two types of individual retirement accounts (IRAs). While the contribution limits are the same for both, each has its own specific rules and potential benefits (see table below).

It's important to review both types of vehicles and plan your IRA strategy carefully. No matter which type you choose, make the most of your IRA by contributing to it regularly.

	<b>Traditional IRA</b>	<b>Roth IRA</b>
Contribution limits?	For 2015, the maximum contribution is \$5,500 (\$6,500 for those aged 50 and older). Amounts are indexed annually for inflation.	For 2015, the maximum contribution is \$5,500 (\$6,500 for those aged 50 and older). Amounts are indexed annually for inflation.
Contributions made with pre-tax or after-tax dollars?	Pre-tax or after-tax.	After-tax only.
Contributions tax deductible?	Yes, if the account holder does not already participate in an employer-sponsored retirement plan. Otherwise, the account holder must earn under the income thresholds set by the IRS. For 2015, a full deduction is allowed for single filers who earn less than \$61,000 and joint-filing married couples who earn less than \$98,000. Partial deductions are allowed for single filers earning between \$61,000 and \$71,000, and joint-filing married couples earning between \$98,000 and \$118,000.	No, Roth IRA contributions are not tax deductible.
Tax-free distributions?	Not allowed. Distributions from a traditional IRA are taxed as ordinary income.*	Allowed, provided the account owner is at least age 59½ and has held the account for at least 5 years.*

	<b>Traditional IRA</b>	<b>Roth IRA</b>
Required minimum distributions (RMDs) after age 70½?	Yes, traditional IRAs are subject to RMDs, which require account holders to take annual distributions from the account after age 70½.	Not required.
Contributions after age 70½?	Not allowed.	Allowed, provided the account holder has earned income.
Types of investments allowed?	A wide variety of options (including mutual funds, stocks, bonds, CDs, and ETFs), depending on the financial institution.	A wide variety of options (including mutual funds, stocks, bonds, CDs, and ETFs), depending on the financial institution.

Source/Disclaimer:

\*Distributions made prior to age 59½ may be subject to a 10% additional federal tax.

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