



# American Reliance Financial

Zero Debt, Minimal Taxes, Maximum Income

## Roth and Traditional IRAs

Start simple—look at your age, income, and retirement goals. The two main types of IRAs—**Roth** and **Traditional**—offer different tax advantages depending on your current and future financial situation.

- **Roth IRAs** allow your money to grow tax-free and provide tax-free withdrawals in retirement. They're ideal if you expect to be in a **higher tax bracket** later.
- **Traditional IRAs** offer immediate tax breaks with tax-deductible contributions, which can help **reduce your taxable income now**, though you'll pay taxes when you withdraw the money later.

### IRA Eligibility at a Glance

	Roth IRA	Traditional IRA
<b>Age Limit</b>	No age limit	No age limit (since 2020)
<b>Income Limits</b>	Contribution eligibility phases out for high earners. In 2025, singles must earn less than \$150,000; joint filers less than \$236,000.	No income limit to contribute. However, tax deductibility may phase out at higher incomes if covered by a workplace plan.
<b>Contribution Rules</b>	Contributions can't exceed your earned income or the IRS limit, and may be reduced based on Modified Adjusted Gross Income (MAGI).	Contributions can't exceed your earned income or the IRS limit. Deductibility may be impacted by income and retirement plan participation.
<b>Can Minors or Non working Spouses Contribute?</b>	Yes, if they meet specific income rules.	Yes, if they meet specific income rules.

### 2025 Contribution Limits

- **Under 50:** Up to \$7,000
- **Age 50 or older:** Up to \$8,000

These limits apply to both Roth and Traditional IRAs.



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## Tax Benefits Breakdown

	Roth IRA	Traditional IRA
<b>Tax Deductibility</b>	No, contributions are not deductible.	Yes, contributions may be tax-deductible depending on income and retirement plan coverage.
<b>Withdrawal Taxes</b>	Contributions are tax-free. Earnings are tax-free if you're 59½+ and have held the account for at least 5 years.	Withdrawals are taxed as ordinary income.
<b>Early Withdrawal Penalty</b>	No penalty on contributions. 10% penalty on early earnings withdrawals unless exceptions apply.	10% penalty on early withdrawals unless exceptions apply.
<b>Required Minimum Distributions (RMDs)</b>	None during your lifetime.	Yes, starting at age 73 (if you hadn't reached 72 before 2023).

## Key Takeaways: Which IRA Is Right for You?

- **Roth IRA** is ideal if you're younger, expect to be in a higher tax bracket later, or want tax-free income in retirement.
- **Traditional IRA** suits those looking for an upfront tax break or expecting to be in a lower tax bracket in retirement.

