Insured Retirement Accounts (IRA)

Individual Retirement Accounts (IRAs)

An IRA is a savings plan that provides tax advantages to encourage individuals to save for retirement. Many members can contribute annually up to the designated limit. Southern Security offers the Traditional and Roth IRAs.

- Maximum contribution limits per year; greater limits for those age 50+.
- Income limits exist.
- Two IRA types available, Traditional (pre-tax) and Roth (post tax).
- Two deposit/contribution options: Share (accumulative) and Certificates.
- Separate application required. This is not available online but can be mailed to you.
- IRA balances are insured separately to $250,000.
- As the purpose of an IRA is to save for retirement, there are severe penalties for early withdrawals.
- Please consult your tax advisor for complete details.
- **Withdrawals**
    - You can start making withdrawals (called distributions) as early as age 59½. Withdrawals prior to that are generally subject to a 10% penalty plus any tax you may owe (based on type of IRA). However, there are some exceptions such as permanent disability, severe medical expenses, first-time home purchase and more. See each IRA type below for specifics regarding withdrawals.
- **What happens to my IRA when I die?**
    - The funds are placed in an IRA Beneficiary account for which you can designate one or more beneficiaries. See Beneficiaries below for specific details.
- **Is my IRA insured?**
    - Your retirement account(s) are insured separately from your deposit accounts up to $250,000 by the National Credit Union Administration.
- **Income Restrictions**
    - There are income restrictions regarding who is eligible to contribute to any IRA in a given year. There are also maximum limits on how much you’re able to contribute to your IRA within a year, as well. And that limit applies across the board per person (per social security number) – not per IRA.

- **Contribution Restrictions**
    - In addition to income and contribution limits, your age will affect your ability to contribute, as well as the amount. For example, if you are already past age 70½ you can no longer contribute to a Traditional IRA. Simply save your money in another account type. But you can contribute to a Roth IRA indefinitely. If you are age 50½ your contribution limits are greater so that you can amass much-needed savings for your retirement.
- **Contribution Limits**
    - You can make contributions for any amount to your IRA up to the maximum limit. But you are not required to make contributions within any year.
    - For more information on current income restrictions and contribution limits refer to **www.irs.gov**.
- **How do I contribute to my IRA?**
    - You have the option of accumulating funds or purchasing certificates with your IRAs in one to five-year terms. Payroll deduction can be set for the accumulative IRA but not for the certificates. Many members build their annual contribution limits through payroll deduction in an accumulative IRA, then move the funds into an IRA certificate.
- **What is my deadline to contribute?**
    - You have until April 15 (or designated Tax Day) of the following tax year to make contributions to the current year's limit. However, there is never a minimum amount you must contribute in a given year. Be sure you explain to the staff which tax year your deposit is for if made between January 1 and April 15, as the default is the current tax year (not prior year).
- **Which IRA is right for me?**
    - The two types of IRAs offered at Southern Security are Traditional and Roth. Here are some very general comparisons.
        - *Traditional IRA*
            - The Traditional IRA allows you to set retirement savings aside prior to paying income tax on that amount. You also earn dividends on that savings and tax is deferred on those earnings, as well. The key to the Traditional IRA is that tax is deferred. You will still have to pay taxes on the income you put into the IRA as well as the earnings. But you will delay those payments until your retirement. You will pay this with each distribution (withdrawal) you make. The general idea is that you may be in a lower tax bracket during your retirement years.

    - *Roth IRA*
        - With the Roth IRA you set aside retirement savings after you have paid taxes – that is, you make deposits with funds directly from your paycheck. Since you paid your taxes on these funds already, you cannot be taxed again. As such, there is no withdrawal requirement when you reach age 70½ as there is with the Traditional IRA.

Definitions/Clarifications

- **Contributions** *(deposits made to the IRA)*
    - In general terms, Traditional IRA contributions are made with pre-tax dollars. When you reach retirement, you pay taxes upon distributions and earnings at your tax rate of the day. Roth IRA contributions are made with post-tax dollars and are never taxed again.
- **Earnings**
    - With the Traditional IRA you pay taxes upon distribution of funds. There are no taxes on earnings on the Roth IRA.
- **Distributions** *(withdrawals made from the IRA)*
    - As the key to the Traditional IRA is that taxes are deferred, you are required to take minimal distributions annually starting by age 70½ to avoid penalties. There are no distribution requirements on the Roth IRA.
- **Required Minimum Distributions (RMD)**
    - Determined through an actuarial calculation, this is the amount you must withdraw from your Traditional IRA each calendar year. You may take your distribution throughout the year or in one lump sum at the end of the year.
- **Early Withdrawal Penalty**
    - As any IRA is designed to help you save for your retirement years there is a severe penalty for any withdrawal prior to age 59 ½. Starting with a 10% penalty on the amount withdrawn, the Traditional also requires taxes be paid on that amount at your current tax rate. For the Roth, in addition to the 10% penalty, you are taxed on any earnings, as well. There are exceptions to the Early Withdrawal Penalty that include provisions for first-time home purchase, disability and medical expenses. Please see **www.irs.gov** for more information.
- **Beneficiaries**
    - *Traditional IRA*
        - The funds from your IRA will be paid to your beneficiaries. However, the amount will be reduced by the Required Minimum Distribution for that year.
    - *Roth IRA*
        - The entire amount of your Roth IRA will be paid to your beneficiaries.

Application Process/Next Step

- IRAs require separate application. Southern Security can mail this to you; you can visit or contact one of our locations for more information – especially if you have funds to roll over from another retirement instrument.
- While there is no approval process, per se, there are earned income requirements (both minimums and maximums) which adjust annually.
- You can set up payroll deduction to the accumulative account. You can request a Payroll Deduction Form to make adjustments to your current allocations.