IRA opportunities.

Traditional IRA vs. Roth IRA: Which is right for you?

What kind of retirement funding vehicle is right for you?

An individual retirement account (IRA) may help provide you with the savings flexibility and tax advantages that you need for tomorrow.You can make time work for you with either a traditional IRA or a Roth IRA.

Selecting the right IRA depends upon several factors, including your current income level and your likely tax status during retirement. To help you determine the right retirement funding vehicle, it's important to understand the differences between a traditional IRA and a Roth IRA.

The traditional IRA: A classic tool to help you address your retirement goals.

Traditional IRAs offer the up-front advantage of tax-deductible contributions, depending in part on whether or not you or your spouse participate in a tax-qualified employer retirement plan. This can reduce your current tax liability and help to safeguard your contributions for the future.

The money you place in a traditional IRA accumulates tax deferred and is taxable only when you withdraw it (you must start taking distributions by age 70 1/2). If it's likely your income will decrease when you retire—placing you in a lower tax bracket and reducing the amount of taxes you'll pay—then the traditional IRA may be right for you.

Some other benefits of a traditional IRA include:

- The income range eligible to deduct contributions is increasing.
- Many nonworking spouses can make maximum contributions to an IRA.
- IRS penalty-tax-free withdrawals are available for a first-time home purchase[1] and for qualified educational expenses.

Keep in mind that withdrawals are subject to ordinary income taxes.
Also, distributions must begin by age 70½.

A note about deduction amounts.

If you're an active participant in your employer's retirement plan, you may still qualify to fully deduct contributions to a traditional IRA, subject to income limitations. (See the chart on page 4 for 2019 income requirements.)

For the 2019 tax year, you'll receive a full tax deduction for your contribution if your modified adjusted gross income (MAGI) is $64,000 or less as a single filer, or $103,000 or less when you file jointly.

If your joint income is $193,000 or less, a nonworking spouse may contribute and deduct $6,000—or $7,000 if age 50 or older—each year to an IRA, even if the working spouse is covered by an employer's retirement plan. Please note that you must have sufficient earned income to make a contribution.

Traditional IRA vs. Roth IRA: The big difference.

Every IRA has two components: the contributions you make to it, and the growth opportunity. The big difference between a traditional IRA and a Roth IRA is the up-front tax deductibility and the taxability of distributions.

Here's a brief overview of the characteristics of each.

Traditional IRA.

- Contributions you make may be tax deductible.
- If your contributions are deductible, you will be taxed on them when you make withdrawals.
- The earnings that build on your contributions will not be taxed until you make withdrawals.

Roth IRA.

- Contributions you make are never tax deductible.
- You will not be taxed on your contributions when you withdraw them.
- The earnings that build on your contributions will not be taxed at all if you begin making withdrawals after age 59½, and you have waited at least five years since your initial contribution.

See chart on page 4 for a detailed side-by-side comparison of a traditional IRA and a Roth IRA.

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IRS penalty-tax-free withdrawals.

In certain situations, you will be able to withdraw money from your traditional IRA penalty-tax free but still subject to taxes. Such circumstances include the purchase of a first home ($10,000 lifetime maximum),[1] qualifying education expenses, or if you are disabled. This ability to withdraw makes an IRA a good idea—not just for retirement, but for certain expenses throughout your lifetime.

When you reach age 59½, you may begin withdrawing your money penalty-tax free. These distributions are still subject to income taxes. However, if your income level has dropped since you began putting money into the account, you may be in a lower tax bracket when these taxes are due.

Tax credit.

In addition to a possible tax deduction, certain individuals are eligible for a tax credit for their IRA contributions equal to a percentage (ranging from 10% to 50%) of up to $2,000 of their contributions. For 2019, the tax credit is available to joint filers with an adjusted gross income (AGI) of up to $64,000, heads of households with an AGI of up to $48,000, and single filers or married filers filing separately with an AGI of up to $32,000.

The Roth IRA: Beyond the traditional IRA.

The Roth IRA is the first retirement account with potentially tax-free distributions. With the Roth IRA, you contribute after-tax dollars. And while you receive no current tax deductions, qualified distributions—withdrawals you make that meet certain requirements—are not subject to income taxes, meaning your funds accumulate tax free. Additionally, while you are alive, there is no mandatory distribution at any age, which means your money can continue to accumulate tax free for as long as you like.

The Roth IRA provides a variety of tax and eligibility advantages that may make it the right choice for your retirement funding. Some of these advantages include:

- Tax-free accumulation and an entirely tax-free distribution, provided that five years have passed since the first year for which a contribution was made and you are older than 59½.
- No mandatory withdrawals during your lifetime.
- The ability to continue making contributions after age 70½ if you're still earning income.
- IRS penalty-tax-free withdrawals in a variety of circumstances.
- The ability to contribute to the Roth IRA even if you already participate in an employer-sponsored plan.

Who's eligible and who benefits most?

While contributions are made with after-tax dollars, Roth IRA funds not only accumulate tax free, but are tax free when qualified distributions occur. This is a particular advantage if you think you'll be in a higher tax bracket when you receive your distributions.

Provided you have sufficient earned income, 2019 single taxpayers with a MAGI of less than $122,000 and married taxpayers filing jointly with a total MAGI of less than $193,000 are fully eligible to contribute up to $6,000 individually, or $12,000 in total for married taxpayers filing jointly, to a Roth IRA.

Anyone age 50 or older can contribute an extra $1,000 (see comparison chart on page 4). Additionally, you're still eligible to partially contribute if your MAGI is between $122,000 and $136,999 for single taxpayers, or between $193,001 and $202,999 for married taxpayers.

Even if you are participating in an employer-sponsored retirement plan, you can still save for your retirement with the Roth IRA. This eligibility now enables more individuals to further contribute toward their retirement.

What can tax deferral do for you?

When you invest in a tax-deferred retirement funding vehicle, you don't pay taxes on your accumulation until it's withdrawn or, in the case of the Roth IRA, you may never pay taxes. What's more, the earnings you accumulate are tax deferred as well—which means your earnings can grow more quickly.

Time is an important ally when combined with the tax advantages of an IRA.

The amount of time your IRA has to accumulate will affect how much value you can derive from the tax advantages that these IRAs enjoy. The sooner you begin to save for your future financial needs, the greater the wealth you can accumulate. By getting an early start, you can benefit from more years of compounding, because the growth from earlier years—when left to accumulate—increases its value.

Withdrawal and contribution options add to the flexibility of a Roth IRA.

When you reach 59½, you may begin withdrawing your money penalty-tax free and tax free, provided you've held your Roth IRA for at least five years. There are no required withdrawals at retirement, at age 70½, or at any time thereafter while you are alive. In fact, if you're a wage earner after age 70½, you can still contribute. Additionally, your Roth IRA funds can go to your heirs tax free if you die before receiving all of your Roth IRA account value.[2]

As long as you've met the five-year holding period requirement, you can withdraw amounts penalty-tax free and tax free before age 59½ to pay certain expenses related to the purchase of a first home ($10,000 lifetime maximum).[1] Additionally, withdrawals can be taken if you become disabled. (In the event of your death, your beneficiaries can also make withdrawals.)

And because your qualified distributions are tax free, you won't have to withdraw as much money as you would from a taxable account to have the buying power you need. These withdrawal provisions make the Roth IRA a flexible tool for providing financial security—not just in retirement, but throughout your life.

Can you have more than one kind of IRA?

Yes, but your total contribution to all IRAs cannot exceed $6,000 per year as an individual or $12,000 jointly. And anyone age 50 or older can contribute an extra $1,000 (see chart on page 4). If your income is too high to qualify to deduct contributions to a traditional IRA or contribute to a Roth IRA, you can still contribute to a nondeductible IRA. With a nondeductible IRA, you won't receive a tax deduction for your contribution, and your earnings will be taxed when withdrawn—but you can still accumulate funds for retirement, tax deferred.

Converting an existing IRA to a Roth IRA.

You can convert your traditional IRA funds without a premature distribution penalty tax. Generally, any rollover from an IRA to a Roth IRA would be included as income upon conversion. However, if you're converting from a nondeductible IRA, you'll pay taxes only on your earnings. (Be sure to consult your tax advisors when making conversion decisions.)

Ask your New York Life agent.

Your New York Life agent is ready to discuss your retirement funding needs. He or she can provide you with more information about how New York Life and its subsidiaries can provide products that can help you take advantage of the traditional IRA and the Roth IRA.

Please remember that you should consult your own tax advisors for advice regarding your particular tax situation.

Why New York Life?

New York Life Insurance Company—the parent company of New York Life Insurance and Annuity Corporation (NYLIAC)[3]—has been in business for more than 170 years.

Our ability to maintain a high level of financial stability while meeting our fiscal obligations is a clear indicator of long-term security. You can count on us—always.

[1] The first-time home buyer must be the individual who received the distribution, his or her spouse, or any child, grandchild, or ancestor of the individual or his or her spouse.

[2] The Roth IRA must have been held for at least five years in order for the heirs to receive the Roth IRA funds tax free.

[3] New York Life Insurance and Annuity Corporation (NYLIAC) is a wholly owned subsidiary of New York Life Insurance Company.

The Roth IRA and the traditional IRA: A comparison.

Contribution	Roth IRA	Traditional IRA
Maximum annual contribution for **2019**	$6,000 in **2019** ($6,000 to each of two accounts if filing jointly and, if age 50 or older, an additional $1,000 "catch-up" contribution). Contributions to traditional IRAs reduce this overall limit.	$6,000 in **2019** ($6,000 to each of two accounts if filing jointly and, if age 50 or older, an additional $1,000 "catch-up" contribution). Contributions to Roth IRAs will reduce this overall limit.
Eligible income ranges for **2019**	Single: • MAGI* **less than $122,000**; fully eligible to contribute. • MAGI **$122,000–$136,999**; partially eligible to contribute. • MAGI greater than or equal to **$137,000**; not eligible to contribute. Married filing jointly: • Combined MAGI **less than $193,000**; fully eligible to contribute. • Combined MAGI **$193,000–$202,999**; partially eligible to contribute. • Combined MAGI greater than or equal to **$203,000**; not eligible to contribute. *Modified adjusted gross income (MAGI), as defined for purposes of IRAs and Roth IRAs.	Single: • MAGI **$64,000** or less; contributions fully deductible. • MAGI **$64,001–$73,999**; contributions partially deductible. • MAGI greater than or equal to **$74,000**; contributions nondeductible. Married filing jointly: • Combined MAGI **$103,000** or less; contributions fully deductible. • Combined MAGI **$103,001–$122,999**, contributions partially deductible. If one spouse is not participating in an employer's retirement plan and combined MAGI between **$193,001–$202,999,** contributions partially deductible for nonparticipating spouse. • Combined MAGI greater than or equal to **$123,000,** or greater than or equal to **$203,000** (for nonparticipating spouse) if one spouse is not participating in an employer's retirement plan; contributions nondeductible. These limitations only apply if an individual participates in an employer-sponsored retirement plan; otherwise, you can deduct the full contribution.
Contribution period	An individual can contribute for as long as he or she has sufficient earned income each year, regardless of age.	Can contribute until the tax year age 70½ is attained, provided there is sufficient earned income each year.

Tax advantages. (For tax-credit information, see the "tax credit" section in this brochure.)

Are contributions deductible?	Contributions are not deductible.	Within relevant income range, contributions are deductible.
How does it accumulate?	Accumulates tax free.	Accumulates tax deferred.
Are distributions taxed?	Distributions may be tax free.	For tax-deductible traditional IRAs, the entire distribution is taxed; for nondeductible IRAs, only the earnings are taxed.

Distributions and withdrawals.

Age at distribution and early withdrawals	Qualified distributions: Distributions are tax free if the account has been in existence for at least five years and a distribution is taken for any one of the following reasons: • Owner reaches age 59½. • Disability. • Death. • First-time home purchase ($10,000 lifetime maximum). Please note: All Roth IRAs are subject to aggregation rules. Early withdrawals of earnings (prior to age 59½) are subject to a 10% penalty tax, with exceptions listed below.	• Distributions before age 59½ are subject to a 10% penalty tax, with exceptions listed below. • Nondeductible IRAs are taxed only on withdrawals of earnings. • All traditional IRAs are aggregated for purposes of determining the taxability of withdrawals and distributions.
IRS penalty-tax-free withdrawals before age 59½	Penalty-tax-free withdrawals are permitted for the following: • First-time home purchase ($10,000 lifetime maximum). • Disability. • Death (for beneficiaries). • Qualifying education expenses. • Certain medical and unemployment expenses. • Certain substantially equal periodic payments. • Distribution on account of IRS tax levy. • Qualified reservist distribution.	Penalty-tax-free withdrawals are permitted for the following: • First-time home purchase ($10,000 lifetime maximum). • Disability. • Death (for beneficiaries). • Qualifying education expenses. • Certain medical and unemployment expenses. • Certain substantially equal periodic payments. • Distribution on account of IRS tax levy. • Qualified reservist distribution.
Are distributions required?	None required (except for beneficiaries at death).	Distributions are required at age 70½.

Conversions.

Conversion and rollover eligibility	**Conversions to Roth IRAs. Beginning in 2010, the modified AGI and filing status requirements for converting a traditional IRA to a Roth IRA are eliminated. Distributions from qualified employer retirement plans, tax-sheltered annuities, and governmental Section 457 plans can be directly rolled over into traditional IRAs or Roth IRAs, provided applicable requirements are met.** **The benefits of rollovers and conversions will vary with the terms of your plan, with your present and foreseeable tax bracket, your age, and various other factors. Be sure to discuss this with your tax and financial advisors. For deductible traditional IRAs, the entire amount to be converted to a Roth IRA will be taxed in the year of conversion. For nondeductible traditional IRAs, only your earnings will be subject to taxes in the year of conversion. Beginning in 2015, only one indirect (60-day) rollover per individual is allowed per 12-month period between IRAs.**

New York Life Insurance Company

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