FCSU Financial®

Traditional IRA

A Traditional IRA (Individual Retirement Account) is a type of investment account designated to help individuals save for retirement while offering certain tax advantages.

Opening a Traditional IRA can significantly enhance your retirement savings strategy with its tax advantages, flexibility in contributions, and eligibility. By taking advantage of this account, you can secure a more financially stable and comfortable retirement.

TAX ADVANTAGES:

- Provides tax benefits that enhance savings growth compared to regular investment accounts.
- Contributions are typically tax-deductible, reducing taxable income for the year they are made.
- Taxes are paid upon withdrawal during retirement.

CONTRIBUTION LIMITS:

- For 2026, the contribution limit is $7,500 for individuals under age 50.
- Individuals age 50 and older can contribute $8,600 (including a $1,100 catch-up contribution).

ELIGIBILITY:

- Anyone under age 70½ with earned income can contribute to a Traditional IRA.
- Contribution deductibility depends on income and whether you or your spouse are covered by a workplace retirement plan.

TAX TREATMENT OF WITHDRAWALS:

- Withdrawals are taxed as ordinary income after age 59½.
- Early withdrawals (before age 59½) may incur a 10% penalty along with regular income taxes.

REQUIRED MINIMUM DISTRIBUTIONS (RMDS):

- Required to start withdrawing a minimum amount annually once reaching age 73.

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Always check the latest IRS guidelines or consult with a tax professional for the most accurate and personalized advice.

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