



# Comparing your IRA choices, 2020

Subject	Traditional IRA	Roth IRA																												
<b>Tax benefits</b>	<ul style="list-style-type: none"> <li>Tax-deferred earnings</li> <li>Contributions may be tax-deductible subject to Modified Adjusted Gross Income (MAGI) limits below</li> </ul>	<ul style="list-style-type: none"> <li>Tax-advantaged earnings</li> <li>Tax-free qualified distributions<sup>1</sup></li> </ul>																												
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>Due to the SECURE Act, beginning in tax year 2020, there is no maximum age restriction for making a Traditional IRA contribution as long as the individual, or spouse if filing jointly, has earned income</li> <li>Your non-working spouse is eligible, if you file a joint tax return</li> </ul> <div style="border: 1px solid #007060; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 10px 0;">?</div> <p><b>Did you know . . .</b> You can make a non-deductible contribution to a Traditional IRA even if your income exceeds deduction limits?</p>	<ul style="list-style-type: none"> <li>You can contribute at any age as long as you have earned income and are within or under MAGI limits</li> <li>Your non-working spouse at any age can contribute, if you file a joint tax return and are within or under MAGI limits</li> <li>Contributions are phased out based upon MAGI:</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Single</th> <th>Married/joint</th> <th>Married/separate<sup>2</sup></th> <th>Contribution</th> </tr> </thead> <tbody> <tr> <td>Up to \$124,000</td> <td>Up to \$196,000</td> <td>N/A</td> <td>Full</td> </tr> <tr> <td>\$124,000 – \$139,000</td> <td>\$196,000 – \$206,000</td> <td>Up to \$10,000</td> <td>Partial</td> </tr> <tr> <td>Over \$139,000</td> <td>Over \$206,000</td> <td>Over \$10,000</td> <td>None</td> </tr> </tbody> </table>	Single	Married/joint	Married/separate <sup>2</sup>	Contribution	Up to \$124,000	Up to \$196,000	N/A	Full	\$124,000 – \$139,000	\$196,000 – \$206,000	Up to \$10,000	Partial	Over \$139,000	Over \$206,000	Over \$10,000	None												
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<b>Deduction of contributions</b>	<ul style="list-style-type: none"> <li>Full deduction if you and your spouse, if married, are not covered<sup>3</sup> by a workplace retirement plan (WRP), such as a 401(k), 403(b), SEP, or SIMPLE IRA, regardless of income</li> <li>If you and your spouse are covered<sup>3</sup> by a WRP, deductions are phased out based upon MAGI:</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Single</th> <th>Married/joint</th> <th>Married/separate<sup>2</sup></th> <th>Deduction</th> </tr> </thead> <tbody> <tr> <td>Up to \$65,000</td> <td>Up to \$104,000</td> <td>N/A</td> <td>Full</td> </tr> <tr> <td>\$65,000 – \$75,000</td> <td>\$104,000 – \$124,000</td> <td>Up to \$10,000</td> <td>Partial</td> </tr> <tr> <td>\$75,000 and over</td> <td>\$124,000 and over</td> <td>Over \$10,000</td> <td>None</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>If your spouse is covered<sup>3</sup> by a WRP but you are not, deductions are phased out based upon MAGI:</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Married/joint</th> <th>Married/separate<sup>2</sup></th> <th>Deduction</th> </tr> </thead> <tbody> <tr> <td>Up to \$196,000</td> <td>N/A</td> <td>Full</td> </tr> <tr> <td>\$196,000 – \$206,000</td> <td>Up to \$10,000</td> <td>Partial</td> </tr> <tr> <td>\$206,000 and over</td> <td>Over \$10,000</td> <td>None</td> </tr> </tbody> </table>	Single	Married/joint	Married/separate <sup>2</sup>	Deduction	Up to \$65,000	Up to \$104,000	N/A	Full	\$65,000 – \$75,000	\$104,000 – \$124,000	Up to \$10,000	Partial	\$75,000 and over	\$124,000 and over	Over \$10,000	None	Married/joint	Married/separate <sup>2</sup>	Deduction	Up to \$196,000	N/A	Full	\$196,000 – \$206,000	Up to \$10,000	Partial	\$206,000 and over	Over \$10,000	None	<ul style="list-style-type: none"> <li>Contributions are not deductible</li> </ul> <div style="border: 1px solid #007060; padding: 10px; margin-top: 20px;">  <p><b>Open and/or contribute to an IRA by April 15, 2021, for 2020 to increase your retirement savings and potential tax benefits</b></p> </div> <div style="border: 1px solid #007060; padding: 10px; margin-top: 20px;">  <p><b>You can make . . . contributions to your brokerage IRA online and using your mobile device.<sup>4</sup></b></p> </div>
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<b>Contribution limits</b>	Lesser of 100% of earned income or \$6,000 (per individual if under age 50) or \$7,000 (per individual if age 50 or older within a particular tax year). Traditional and Roth IRA contributions are aggregated. April 15, 2021, is the deadline for the 2020 tax year. Contributions must be made in cash, check, or money order. Contributions cannot be made in-kind, i.e., securities, property.																													
<b>Required minimum distributions (RMDs)</b>	<ul style="list-style-type: none"> <li>Due to the SECURE Act, beginning in tax year 2020 the age to start RMDs has been modified from age 70½ to age 72. (Note: This does not affect individuals who turned age 70½ on or before Dec. 31, 2019)</li> </ul>	<ul style="list-style-type: none"> <li>None during your lifetime.</li> </ul>																												

<sup>1</sup> Qualified distributions are tax-free. Distributions are qualified after five years **and** you are at least age 59½, or as a result of your death, disability, or using the first time homebuyer exception or taken by your beneficiaries due to your death.

<sup>2</sup> Your filing status is considered single for IRA contribution purposes if you did not live with your spouse during the tax year.

<sup>3</sup> The “Retirement Plan” box in Box 13 of your W-2 tax form should be checked if you were covered by a WRP.

<sup>4</sup> You must have a Brokerage Cash Services account to use this feature. Online access is required. Talk to us about adding Brokerage Cash Services to your Wells Fargo Advisors IRA.

Subject	Traditional IRA	Roth IRA
Taxes on distributions	<ul style="list-style-type: none"> <li>• Before-tax contributions and any earnings are subject to ordinary income tax.</li> <li>• If you have before- and after-tax amounts in any of your Traditional, SEP, or SIMPLE IRAs, all distributions or conversions are taken on pro rata basis.</li> <li>• You may be subject to an IRS 10% additional tax for early, pre-59½, distributions unless an exception applies.</li> </ul>	<ul style="list-style-type: none"> <li>• Contributions are always withdrawn tax-free.</li> <li>• Qualified distributions are tax-free. Distributions are qualified after five years <b>and</b> age 59½ or as a result of your disability, or taken by your beneficiaries due to your death.</li> <li>• A non-qualified distribution may be subject to ordinary income tax and an IRS 10% additional tax unless an exception applies.</li> </ul>
Exception to penalty	Exceptions to the IRS 10% additional tax are for distributions after reaching age 59½, death, disability, eligible medical expenses, certain unemployed individuals' health insurance premiums, qualified first-time homebuyer (\$10,000 lifetime maximum), qualified higher education expenses, Substantially Equal Periodic Payments (SEPP), Roth conversions, qualified reservist distribution, IRS levy or birth/adoption of a child (up to \$5,000).	

## Retirement asset consolidation

Most investors have accumulated a number of retirement accounts over the years. To simplify your finances, consider consolidating your financial assets with one provider.

Combining retirement assets into an IRA at Wells Fargo Advisors can offer you the following:

- Ease in managing your investment strategy
- RMD simplification
- Effective beneficiary planning
- One monthly statement
- Potentially fewer fees

## Roth conversion

Converting to a Roth IRA may help you maximize your tax-free wealth-building opportunities. A conversion of after-tax amounts will not be income taxable. Any before-tax portion converted will be included in your gross income.

- You can convert your existing Traditional, SEP, and (after two years) SIMPLE IRAs by paying the ordinary income tax (but no penalty).
- Eligible rollover distributions from your qualified employer sponsored retirement plan can be converted to a Roth IRA\*.



## Beneficiary planning

Retirement assets can make up a large portion of the wealth you accumulate, and IRAs can be an important vehicle for saving and distributing that wealth.

Clear establishment of your IRA beneficiaries today will help ensure your assets are distributed as you wish. It's important to review and update your beneficiaries every few years or after significant life events, such as a birth of a child or grandchild, a marriage or divorce, or the death of a beneficiary.



**Beneficiaries named in retirement accounts take precedence over instructions in a will or trust.**

## RMDs

Beginning in tax year 2020, Traditional, SEP, and SIMPLE IRA owners begin taking RMDs by your Required Beginning Date (RBD), which is generally April 1 following the year you turn age 72, and annually thereafter. (Note: This does not affect individuals who turned age 70½ on or before Dec. 31, 2019).

Beneficiaries who inherited a Traditional and/or Roth IRA on or before December 31, 2019 begin taking RMDs by December 31 of the year following the death of the IRA owner.

## We help you choose

At Wells Fargo Advisors, we understand the significance of your retirement planning decisions. We offer the services you need to better understand which IRA is suitable for your personal financial situation. Contact your Financial Advisor today for a complimentary consultation.

\* Please keep in mind that rolling over your qualified employer sponsored retirement plan (QRP) assets to an IRA is just one option. Each option has advantages and disadvantages, and the one that is best depends on your individual circumstances. You should consider features such as investment options, fees and expenses, and services offered. Investing and maintaining assets in an IRA will generally involve higher costs than those associated with a QRP. We recommend you consult with your plan administrator before making any decisions regarding your retirement assets.

Please Note: This material has been prepared for informational purposes only and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. The accuracy and completeness of this information is not guaranteed and is subject to change. It is based on current tax information and legislation as of November 2019. Since each investor's situation is unique, you need to review your specific investment objectives, risk tolerance, and liquidity needs with your financial professional(s) before a suitable investment strategy can be selected. Also, since Wells Fargo Advisors does not provide tax or legal advice, investors need to consult with their own tax and legal advisors before taking any action that may have tax or legal consequences.

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