Planning for Retirement: How IRAs Can Help You Build Financial Security

While pensions and Social Security benefits provide some income, they often aren't enough to maintain the lifestyle you're used to. That's why taking charge of your retirement savings is crucial.

One way to do this is by opening an Individual Retirement Account (IRA). This type of savings vehicle is a powerful tool to help you save and grow your money for the future.

What is an IRA?

An IRA is a special account designed to help you save for retirement. It's set up to benefit you or your chosen beneficiaries. IRAs come in two main types: Traditional and Roth. Each has unique features and tax benefits to suit different financial goals.

Traditional IRA vs. Roth IRA

Traditional IRA

- Contributions may be tax-deductible, lowering your taxable income now.
- Your savings grow tax-deferred, meaning you don't pay taxes on the earnings until you withdraw them.

- Withdrawals made before age 59½ might face a 10% early withdrawal penalty from the IRS unless you qualify for an exception.

Roth IRA

- Contributions are made with after-tax dollars, meaning you won’t get a tax break upfront.
- Qualified withdrawals during retirement are completely tax-free, as long as certain conditions are met.
- Contributions (but not earnings) can be withdrawn anytime without taxes or penalties.

Who Can Contribute to an IRA?

If you have earned income, you can contribute to a Traditional IRA. However, if you’re already part of a retirement plan at work, there are income limits that might affect how much of your contribution is tax-deductible. For Roth IRAs, your ability to contribute depends on your Modified Adjusted Gross Income (MAGI). Be sure to check the current limits to see if you qualify.

What About Rollovers?

A rollover is another way to add money to an IRA. This involves moving funds from one retirement account to another, like when you change jobs or want to merge your accounts. Rollovers are usually tax-free, but they must be done correctly to avoid penalties.

There are two main types of rollovers:

Direct Rollovers

- Funds move directly from one retirement account to another without passing through your hands.
- This method avoids tax withholding and potential penalties, making it the preferred choice for most people.

Indirect Rollovers

- You receive the funds from your retirement account and must deposit them into a new IRA within 60 days.
- With this option, 20% of the funds may be withheld for taxes, and any amount not rolled over within the time limit could face taxes and penalties.

Partial Rollovers

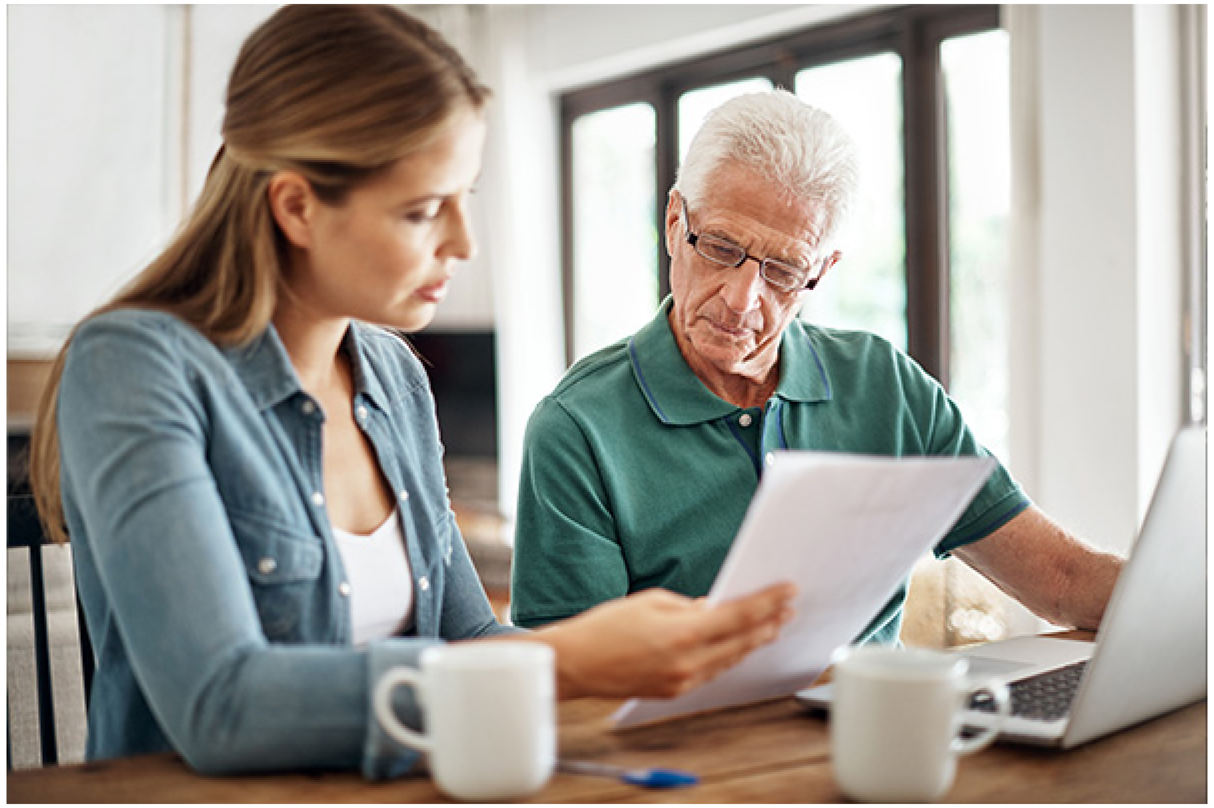
If you only want to transfer part of your retirement funds, you can do a partial rollover. However, any part not rolled over could be taxed or penalized if you withdraw it early.

Take Control of Your Retirement

IRAs are a flexible and effective way to grow your retirement savings. Whether you choose a Traditional IRA for its tax-deferred growth or a Roth IRA for its tax-free withdrawals, the key is to start saving early and consistently.

Planning for retirement may feel overwhelming, but understanding your options—and acting—can help you create a secure financial future.

Additional Topics



Six Key Considerations of Estate Planning

Estate planning is essential to ensure your assets and affairs are managed according to your wishes after you pass away or become incapacitated.

Estate Planning Basics

Women and Money

In the evolving landscape of personal finance, women often face unique challenges and opportunities. Here are six steps you can take to secure your financial future.

Money Tips for Women

Neither Security Benefit nor its subsidiaries and affiliates are fiduciaries. This information is general in nature and intended for use with the general public. For additional information, including any specific advice or recommendations, please visit with your financial professional.

Security Benefit, its affiliates and subsidiaries, and their respective employees, representatives, do not provide tax, accounting, or legal advice. Any statements contained herein concerning taxes were not intended as and should not be construed as tax advice, nor should they be used for the purpose of avoiding federal, state, or local taxes and/or tax penalties. Please seek independent tax, accounting or legal advice.