

Who can contribute?

How much can I contribute?

Who can make deductible contributions?

What are the tax advantages?

When can I withdraw without restrictions?

Roth IRA

You are eligible if you earn compensation and your MAGI* is less than the defined limits set by Congress. If your MAGI is too high to contribute the annual contribution limit, you may be able to make a smaller contribution.

- You may be able to contribute up to:
- \$4,000 for 2006 and 2007
 - \$5,000 for 2008
- For owners age 50 and older, you may be able to contribute up to:
- \$5,000 for 2006 and 2007
 - \$6,000 for 2008

Contributions cannot exceed compensation.

No one can deduct contributions.

- Earnings are tax-deferred and withdrawals are tax-free if the account is open for five tax years and withdrawals are for a qualified reason (age 59½, disability, death, or a first-time home purchase**)
- Not required to start withdrawals at age 70½

- Regular contributions can be withdrawn tax-free and penalty-free at any time
- After the account has been open five tax years, earnings can be withdrawn tax-free and penalty-free for any of these reasons: age 59½, disability, death, or a first-time home purchase**

Traditional IRA

Anyone under age 70½ who has income from compensation (or who is filing jointly with a spouse who earns compensation).

Anyone who has received a distribution from a qualified retirement plan and decides to move the proceeds of the plan into an IRA.

- You may be able to contribute up to:
- \$4,000 for 2006 and 2007
 - \$5,000 for 2008
- For owners age 50 and older, you may be able to contribute up to:
- \$5,000 for 2006 and 2007
 - \$6,000 for 2008

Contributions cannot exceed compensation.

Deductible up to annual contribution limit:

- Single individuals not active in employer retirement plans
- Single individuals active in qualified retirement plans with MAGI below defined limits
- Married couples with neither spouse active in an employer retirement plan
- Married individuals active in qualified retirement plans filing joint tax returns with MAGI below defined limits
- Married individuals not active in qualified retirement plans filing joint tax returns with spouses who are, as long as MAGI is below defined limits

- Earnings grow tax-deferred until withdrawn
- Contributions may be tax-deductible

- Withdraw penalty-free for any of the following reasons:
- Qualified higher-education expenses
 - First-time home purchase**
 - Age 59½
 - Disability
 - Qualifying medical expenses exceeding 7.5% of adjusted gross income
 - Payment to beneficiaries upon the owner's death
 - Payment of health insurance premiums while unemployed for 12 weeks or longer

Coverdell Education Savings Account (ESA)

You are eligible if your MAGI is less than the limits set by Congress. If your income is too high to contribute the annual contribution limit, you may be able to make a smaller contribution. Check with a tax professional for current figures.

Contributions not allowed after the beneficiary reaches age 18 (except for special needs beneficiaries).

- \$2,000 per child each year
- Limit applies to all Coverdell Education Savings Accounts (ESA) for the same child

No one can deduct contributions.

- Withdrawals for qualified education expenses are tax-free
- Qualified education expenses include tuition, fees, books, computer equipment and technology required for elementary, secondary and post-secondary education
- A beneficiary may receive tax-free distributions from a Coverdell ESA in the same year he or she claims the Lifetime Learning or HOPE Scholarship tax credits

- Withdrawals are tax-free and penalty-free only for qualified education expenses (earnings are subject to tax and penalty for most other withdrawals)
- Funds can be transferred from one child's account to an account for another child in the family

*Not intended as tax advice. Please consult a tax professional.
 * MAGI - Modified Adjusted Gross Income. Contribution and deductibility limits change frequently. Consult your tax professional regarding your individual circumstances.
 ** Lifetime limit for exemption on first-time home purchase is \$10,000.*