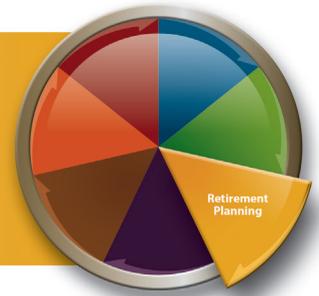




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*Touching lives. Securing futures.®*

In search of income tax-free withdrawals during retirement?\*



*Many people want to take advantage of the benefits provided by a Roth IRA, but are unsure if they qualify to have one.*

**A Roth IRA may provide many advantages:**

- The potential for income tax-free withdrawals at retirement
- You will not have required minimum distributions once you attain age 70½
- Contributions are not subject to income taxes when they are withdrawn. This gives you added flexibility if you need to take a withdrawal to help with expenses like college tuition.
- The potential for your beneficiaries to receive income tax-free withdrawals after your death

**How can someone receive income tax-free withdrawals from a Roth IRA?**

The withdrawal is made after the five-year period beginning with the first tax year for which a contribution or a conversion was made to a Roth IRA; and one of the following events has occurred to the holder of the Roth IRA: Attained age 59½, Disability, Death, or Qualified as a first-time homebuyer (\$10,000 lifetime limit).

- 5 Tax Years**  
**+ One of the following:**
- Age 59½
  - Disability
  - Death
  - Qualified first-time homebuyer

**Income Tax-Free Withdrawals**

**Is there a limit to how much someone can contribute to a Roth IRA?**

Age as of 12/31 of the tax year	Annual Contribution Limit**
Under Age 50	\$5,500
Age 50 or older	\$6,500

*\*Refers to federal income taxes only. Local and state income taxes may still apply.*



In search of income tax-free withdrawals during retirement?\*



## Are you eligible to make a Roth IRA contribution?

Your ability to make a Roth IRA contribution is determined by the following modified adjusted gross income (AGI) limits:

Tax-Filing Status: Single or Head of Household**	
Modified AGI	Contribution
Less than \$118,000	Full
\$118,000 to \$132,999	Partial
\$133,000 or more	None

Tax-Filing Status: Married Filing Jointly**	
Modified AGI	Contribution
Less than \$186,000	Full
\$186,000 to \$195,999	Partial
\$196,000 or more	None

\*\* These limits apply to the 2017 tax year, are subject to indexing by the IRS, and may increase over time.  
Source: IRS Publication 590

## What if someone wants to contribute to a Roth IRA but is ineligible due to their AGI?

Assuming you are eligible to make a Traditional IRA contribution, you could make a non-deductible contribution to a Traditional IRA and then convert the Traditional IRA to a Roth IRA. There are no AGI limits for performing a Roth IRA conversion.



**Conversions are subject to income taxes for the tax year the conversion is completed.**

- Non-deductible (after-tax) contributions are not taxable when converted to a Roth IRA.
- Deductible (pre-tax) contributions and all earnings are taxable when converted to a Roth IRA.

**You must take into account all of your Traditional, SEP and SIMPLE IRAs when calculating the proportionate taxable amount of a conversion.**

You cannot designate only the non-deductible dollars when converting to a Roth IRA. If you have multiple Traditional, SEP and SIMPLE IRAs but are not converting every one of them to a Roth IRA, you must add together the total value of all Traditional, SEP and SIMPLE IRAs as of Dec. 31 of the year the conversion takes place and determine the percentage of the conversion that will be subject to income tax. IRS Form 8606 will help track any after-tax basis in your IRAs and calculate the taxable amount of a Roth conversion.

### Example

John is 45 years old and his AGI disqualifies him from making a regular contribution to a Roth IRA. He would like to make a \$5,000 non-deductible contribution to a Traditional IRA and then convert that Traditional IRA to a Roth IRA. John already has a Traditional IRA that was opened with a rollover of pre-tax dollars from a former employer's 401(k) plan. The value of this existing IRA as of Dec. 31 of the year the conversion is completed is \$45,000. If John makes a \$5,000 non-deductible contribution to a new Traditional IRA and then converts \$5,000 to a Roth IRA, \$4,500 will be taxable while only \$500 will not be taxable.

**Converting to a Roth IRA will make sense for some individuals but is not the right choice for everyone. You should review your situation with your Modern Woodmen of America financial representative before taking any action. Consult with your tax adviser if you have any questions related to your specific tax situation.**

*\*Refers to federal income taxes only. Local and state income taxes may still apply. The \$5,500/\$6,500 annual contribution limit is an overall contribution limit that applies to all of the Traditional IRAs and Roth IRAs owned by an individual. A SIMPLE IRA may be converted to a Roth IRA only after two years of participation in the SIMPLE IRA has occurred.*

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