# PLANNING FOR YOUR IRA

By Frank Finance – Orbital Banking

The tax law of the United States allows a tax reduction on a limited amount of saving for retirement. The Roth IRA's principal difference from most other tax advantaged retirement plans is that, rather than granting a tax break for money placed into the plan, the tax break is granted on the money withdrawn from the plan. Roth IRAs allow an annual contribution of up to $5,000 for 2012 ($6,000 if you're age 50 or older), as long as you earn at least as much as you contribute.

As a retirement plan, Roth IRAs differ from regular IRAs in some interesting — and important — ways.

- There is an income threshold on the Roth IRA. If you make too much money, you can't play the Roth game. You start losing the ability to contribute to a Roth IRA if your income is over $125,000 and you're single, or over $183,000 if you're married and filing a joint tax return.
- There is no age limit with the Roth IRA. You can make contributions no matter how old you get. With a regular IRA, you have to stop making contributions in the year in which you hit age 70-1/2.
- There is no age requirement for mandatory withdrawals of money from the Roth IRA. You are required to start taking

money out of a regular IRA in the year in which you reach age 70-1⁄2.

For the Roth, you never have to take the money out: You can leave the money invested until you die and the investments then get passed on to your beneficiaries. Furthermore, when you do start withdrawing money, you can withdraw as little or as much as you want — there is no required withdrawal formula like there is with the traditional IRA.