PAYROLL ROTH IRA
FOR FLEXIBLE, TAX-FREE SAVINGS

ICMARC
BUILDING PUBLIC SECTOR
RETIREMENT SECURITY

ROTH IRA

Why a Roth IRA?

BOOST YOUR SAVINGS

What are your savings goals? A Roth IRA can help you:

- Earn additional retirement income
- Set aside money in retirement for travel, gifts, or medical care
- Make a down payment on a home
- Pay for a child's college education
- Build an emergency fund

DIVERSIFY YOUR TAXES WITH TAX-FREE EARNINGS

A Roth IRA can help you manage your tax bill because withdrawals, including all earnings, may be ***tax-free.*** This can help offset withdrawals of other taxable employer plan and IRA assets. And it may help minimize taxation of Social Security benefits or surcharges on Medicare premiums.

A **Roth IRA** is a savings vehicle that can complement your employer retirement plans by allowing for tax-free earnings and, if needed, flexible withdrawals. **ICMA-RC's Payroll Roth IRA** allows you to make convenient contributions directly from your paycheck.

CONTROL AND FLEXIBILITY

While the longer your Roth IRA is invested, the larger the potential tax-free growth, you always retain full access to your assets. And contributions can always be withdrawn without taxes or penalties.

MATCH A ROTH IRA WITH YOUR 457 PLAN

Saving to a Roth IRA and your 457 plan may make sense because they complement each other.

Payroll Roth IRA	457 Deferred Compensation
After-tax contributions (up to $6,000; or $7,000 if age 50 or over)[1]	**Pre-tax contributions** (up to $19,500; or $26,000 if age 50 or over; or $39,000 if qualify for pre-retirement catch-up contributions)[1]
Withdrawals allowed at any time	Withdrawals after separation from service
Potential for tax-free withdrawals	Taxable withdrawals after separation[2]

[1]2020 contribution limits. [2]Assumes pre-tax contributions were made.

Why a Payroll Roth IRA?

SIMPLE AND CONVENIENT

An ICMA-RC Payroll Roth IRA makes saving simple and convenient through automatic paycheck contributions that you can change at any time.

There are no maintenance fees*, you can contribute as little as $10 per pay period, and you can view your account alongside your other ICMA-RC accounts on your quarterly statement and our website (www.icmarc.org/login).

SMALL SAVING + TAX-FREE COMPOUNDING

Contributing $25 biweekly to start, and increasing that by just $5 per year can really add up due to compounding earnings. And those earnings can be tax-free.

After this many years . . .	10 Years	20 Years	30 years
Your account could be worth . . .	$16,022	$62,981	$166,272

For illustrative purposes only. Assumes effective annual rate of 6%, compounded biweekly and $25 biweekly contributions the first year, with a $5 yearly increase thereafter ($30 biweekly the second year, $35 the third year, etc.)

INVESTMENT OPTIONS

To help you choose and manage your investments, a wide range of mutual funds and Guided Pathways® professional investment advice are available — visit **www.icmarc.org/irainvest** and **www.icmarc.org/guidedpathways** to learn more.

** There are ongoing fees associated with the investments in the account and fees for optional services may also apply.*

Understanding Roth IRA Contributions

You have to be eligible to contribute to a Roth IRA based on your modified adjusted gross income, which is generally all of your income subject to taxes minus certain deductions, and tax filing status.

Contribution Eligibility	Single Filers Income	Married Joint Filers Income
Full Amount	Less than $124,000	Less than $196,000
Partial Amounts	$124,000 – $139,000	$196,000 – $204,000
None	$139,000 or more	$204,000 or more

There are also IRS limits on how much you can contribute to a Roth IRA.

Year	Under Age 50	Age 50 or Over (as of year end)
2020	$6,000	$7,000

If you own a traditional IRA: combined contributions to a Roth and Traditional IRA cannot exceed the limits.

You can make 2019 tax-year contributions until the April 2020 tax-filing deadline.*

Saver's Credit — You may be eligible for a tax credit of as much as $1,000 ($2,000 if married filing jointly) if you qualify based on your income. Visit **www.icmarc.org/saverscredit** to learn more.

Spousal IRA — Your spouse may also make IRA contributions, based on your income, regardless of whether he/she earns income. To open an IRA for your spouse, contact your ICMA-RC representative or visit **www.icmarc.org/ira**.

Understanding Roth IRA Conversions

You may transfer — or convert — assets from a Traditional IRA or, if eligible, employer plan, to a Roth IRA. The assets converted are subject to tax but future earnings may be tax-free. Visit **www.icmarc.org/rothconversion** to learn more. In addition to taxes, you should also consider the services, investments, and costs associated with both accounts.

** Current year paycheck contributions can only be made through the final pay period of the year, but prior year contributions (or additional current year contributions) may be made by sending separate payments.*

Understanding Roth IRA Withdrawals

Roth IRA withdrawals can be made at any time and your contributions can always be withdrawn without taxes. Withdrawals, including earnings, are *100% tax-free* if you have held a Roth IRA account for at least five years, as defined by the IRS, ***and either:***

- You are at least age 59½
- You have a qualifying "first-time" home purchase (limited to $10,000 in Traditional IRA assets and/or Roth IRA earnings over your lifetime)
- You have a qualifying disability
- Your beneficiaries or heirs receive the assets after your death

Otherwise:

- The first assets withdrawn are your contributions, which are never subject to taxes or penalties.
- The next assets withdrawn are converted assets, which may be subject to a 10% penalty tax if withdrawn within five years of the conversion and you are under the age of 59½, unless you qualify for an exception.
- The last assets withdrawn are earnings, which may be subject to ordinary income taxes and, if you are under the age of 59½, the 10% penalty tax, unless you qualify for an exception.

PENALTY-FREE WITHDRAWALS

Withdrawals that are subject to ordinary income taxes can avoid the IRS 10% penalty tax if you qualify for an exception, including payment of qualifying:

- Higher education expenses, including tuition, fees and books, for you, your spouse, children and grandchildren
- Major medical expenses
- Health insurance premiums while unemployed

*Additional exceptions may apply. See IRS Publication 590 for a complete list (***www.irs.gov***).*

REQUIRED MINIMUM DISTRIBUTIONS DO NOT APPLY

Unlike Traditional IRAs and employer retirement plans, Roth IRAs are not subject to IRS required minimum distributions (RMDs), allowing you to increase potential tax-free growth in your later retirement years and/or for your loved ones after you die.

ICMA-RC does not provide specific tax or legal advice.

TO LEARN MORE:

Contact Your ICMA-RC representative or Investor Services at 800-669-7400

www.icmarc.org/ira

www.irs.gov

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