



Contact:

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Q: What are the differences between a Traditional and Roth IRA?

A: Contributions made to a Traditional IRA are deductible from income. Unlike a Traditional IRA, you can't deduct contributions to a Roth IRA in addition, contributions can be made to your Roth IRA after you reach age 70 1/2. Distributions from a Roth IRA are not included in income whereas, distributions from a Traditional IRA are taxed.

Q: How can I make investments with these retirement accounts?

A: These types of accounts can be opened through a bank or a brokerage firm. Once the contributions are deposited you can invest in stocks, bonds or mutual funds. There are also alternative financial institutions which allow you to invest in real estate.

Q: I heard there are penalties for early withdrawal from a Traditional IRA is this true?

A: Yes, a Traditional IRA will enforce a 10% penalty if money is withdrawn before age 59 1/2. However, there are certain situations where the 10% penalty can be waived.

1. You have unreimbursed medical expenses that are more than 7.5% of your adjusted gross income
2. Pay for medical insurance due to a period of unemployment.
3. Totally and permanently disabled
4. Beneficiary of a deceased IRA owner
5. Pay for higher education costs
6. Buy, build, or rebuild a first home
7. The distribution is due to an IRS levy of the qualified plan
8. The distribution is a qualified reservist distribution.

Q: When must you withdraw assets?

A: If you are the owner of a traditional IRA, you generally must start receiving distributions from your IRA by April 1 of the year following the year in which you reach age 70 1/2. Regarding Roth IRAs, if you are the original owner, you don't have to take distributions regardless of your age. However, if you are the beneficiary of a Roth IRA, you may have to take distributions. Speak to your CPA if you have any questions regarding the withdrawal of retirement assets.

Q. How do I report withdrawals from a retirement account?

A. The financial institution that issued the withdrawal will send you an IRS form 1099R. The amount is then reported on your tax return as ordinary income.