Individual Retirement Account (IRA)

A versatile savings tool with options to suit diverse investing needs

An IRA is a personal, tax-advantaged long-term saving plan that you create and control.

IRA FAQs

What is an IRA?

An IRA is a long-term individual custodial account designated to hold money intended for retirement. It is separate from employer-sponsored plans like a 403(b) or 401(k).

How much can I save in an IRA?

In 2019, an eligible individual can contribute up to $6,000 annually (or $7,000 if you're age 50 or older) to a traditional or Roth IRA, or a combination of the two. You must have earned at least as much income as you contribute to an IRA in any given year.

Is my IRA contribution tax deductible?

Limited deductions may be allowed if you or your spouse is covered by a retirement plan at work and your income does not exceed $74,000 (filing single or head of household) or $123,000 (married filing jointly). If neither you nor your spouse is covered by a retirement plan at work, your deduction is allowed in full. Roth IRA contributions are not deductible.

What kind of assets can I invest in an IRA?

Any of the following, including but not limited to:

- Mutual funds
- Individual stocks
- Bonds
- Certificates of deposit (CDs) •
- Annuities
- Cash

Where can I open an IRA account?

An IRA can be set up through thousands of financial institutions including but not limited to:

- Banks
- Credit unions
- Savings and loan associations
- Mutual fund companies

Are there any tax penalties?

IRAs are tax-advantaged vehicles intended to help you save for retirement. Withdrawing money from an IRA before age 59½ can result in a 10% federal early withdrawal tax penalty, on top of the ordinary income taxes due upon withdrawal.

Investment options such as stocks, bonds, mutual funds and annuities may lose value and are not FDIC insured.

The types of IRAs and what they can each do for you

Traditional IRA	Traditional IRAs offer an opportunity to make tax-deductible contributions and enjoy tax deferral on investment gains. You can contribute up to $6,000 ($7,000 if age 50 or older) to a traditional IRA in 2019. Besides deferring taxes until you withdraw the funds (ideally not until retirement), you can also reduce your current taxable income. While you will pay taxes eventually, deferring the tax bill means that money has the opportunity to grow and compound faster.
SEP IRA	A SEP plan allows employers to set aside money in retirement accounts for themselves and their employees. Employers make contributions equally for all eligible employees who are 100% vested in the SEP IRA money.
SIMPLE IRA	Savings Incentive Match Plan for Employees is an arrangement in which small businesses establish a relatively easy and inexpensive retirement plan for employees. The employer is required to either match certain employee contributions or make mandatory nonelective contributions. The employee is always 100% vested in the SIMPLE IRA money.
Self-Directed IRA	A self-directed IRA permits the account holder to make a broader range of investments. The rules and prohibited transactions for self-directed IRAs are complicated. You should ask a tax professional for guidance before making any decisions about self-directed IRAs.
Spousal IRA	In households filing jointly where only one spouse earns income, the household has the option of funding an IRA for the nonworking spouse. Contribution limits and eligibility requirements similar to traditional IRAs apply.
Roth IRA	A Roth IRA also has a valuable tax benefit, but it works differently than traditional IRAs. With a Roth account, you pay income taxes on the money before it goes into the account. Withdrawals of funds rolled over from pretax accounts may still be subject to the 10% federal early withdrawal tax penalty if you are under age 59½ at time of withdrawal and the funds are withdrawn fewer than five years after the conversion or rollover – regardless of how long you have owned the Roth IRA.
Rollover IRA	A rollover IRA isn't really a separate type of IRA. Rather it is a means of transferring retirement savings from one tax-qualified account [e.g., 403(b) or 401(k)] into a traditional IRA. When you leave an employer where you contributed money to their plan, you may have multiple options for your savings, depending on the employer's plan.

Options	Considerations
Leave the money in the old plan	You are limited to the rules, investments and management fees of that plan. If your balance is small, the plan may not allow you to stay.
Roll the money into a new employer's plan	Subject to the new plan's rules, investments and management fees. Some plans may not allow it.
Roll the money over to an IRA	You may find a much wider variety of financial products to choose from. An IRA may have lower expenses compared to an employer plan. Consolidating accounts can make tracking and managing retirement money simpler than multiple accounts. However, penalty-free withdrawals generally may not be made from an IRA until age 59½ and it may be easier to borrow from a plan.
Cash out the account	While you can access the money immediately, you will pay ordinary income tax as well as a 10% federal early withdrawal tax penalty if under age 59½. More importantly, you will be reducing the amount you are saving for retirement.

Not sure which IRA type would work best for you? Consider talking it over with your VALIC financial advisor.

Your Future is Calling. Meet It with Confidence.

CLICK VALIC.com **CALL** 1-800-426-3753 **VISIT** your financial advisor

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