

April 15th is the deadline to file your taxes, but fortunately this year because of the weekend and a holiday, the deadline is April 17th. When thinking about your taxes, do not forget about the Individual Retirement Accounts, or the IRA. I have outlined some of the rules here, but for more details, please look at Publication 590 on the IRS website, www.irs.gov.

There are two types of IRAs, a Traditional and Roth IRA with the main difference being when the money is taxed. A traditional IRA contribution is deducted when you make the contribution, but taxed when you take the money out. You cannot take this money out until after you reach 59 1/2 or otherwise face a penalty of 10% plus the income tax. The basic qualification for a deductible IRA is your Modified Adjusted Gross Income (for most people this is the same as Adjusted Gross Income) cannot be more than \$85,000 if filing jointly, or \$60,000 for single filers. If you qualify, you are allowed to put up to \$5,000 (\$4,000 plus \$1,000 catch-up for those older than 50) into this account and deduct it from your taxable income for the year.

A Roth IRA works the same way as a traditional IRA except the money is not deductible when you put the money in. Instead, no taxes are due on the money after it is withdrawn from the account. In addition, there is no requirement to make minimum withdrawals from the Roth post 70 1/2. The basic qualification for a Roth IRA is your Modified Adjusted Gross Income cannot be more than \$166,000 if filing jointly, or \$114,000 for single filers.

Which one is better? There is no correct answer, if you feel taxes are going to be higher in the future, the Roth IRA is better. On the other hand, if you feel taxes are going to be lower when you start using the money, the Traditional IRA is the better one.

The value of tax-deferred investing is: If you were to contribute \$5000 a year for the next 13 years into an investment portfolio returning 7.5% per year after-tax, you would have an extra \$100,000 for retirement.

If you have any questions or would like to contact me, please call (214) 538-4282 or email scottboyles@brightscape.com.