



Traditional and Roth IRAs

For Retirement and More!

An Individual Retirement Account is a personal savings plan that allows you to set aside funds for your retirement, as well as for future generations' day-to-day needs over their life spans after

inheriting the balance of the IRA. For 2007, contributions of up to \$4,000 (\$5,000 if age 50 or older) may be made to your account, provided you meet income and age restrictions.

Traditional IRAs – You may make contributions to a traditional IRA if you do not turn 70.5 by year end, and if you (or your spouse, if you file a joint return) received taxable compensation during the year.

- Contributions may be fully or partially deductible, depending upon your income level and whether you are covered by a retirement plan at work.
- Generally, amounts in a traditional IRA, including earnings and gains, are not taxed until they are distributed.

Roth IRAs – You (and your spouse, if you file a joint return) must meet certain income restrictions to contribute to a Roth. No age restrictions apply.

- Roth IRA contributions are never tax deductible.
- There are no mandatory withdrawals from a Roth IRA, except for non-spouse beneficiaries.
- Qualified Distributions made from your Roth IRA are not taxable.

Most wage-earners are eligible to participate in either a traditional or Roth IRA each year; however, these two IRA types have different eligibility rules, contribution limits, distribution requirements, and tax features as summarized in the following table:

TRADITIONAL vs. ROTH IRAs		
Feature	Traditional	Roth
Contribution Tax Deduction	Yes*	No
Income Limits	No*	Yes
Maximum Age to Contribute	70 1/2	No Limit
Required Distributions	Yes – at 70 1/2	Never**
Distributions Taxed	Taxed	Not Taxed

* No limit for contributions; limit does apply for tax deductibility.

** Non-spouse beneficiaries must take distributions.

Confused about IRAs? The Shopoff Group can help!

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 Creating Wealth Through
 Real Estate Investing



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How To Establish Your IRA – An IRA is a trust or custodial account for the exclusive benefit of you and your beneficiaries. The trustee or custodian must be an entity approved by the IRS, which includes banks, savings and loan associations, federally insured credit unions, life insurance companies, and other entities which have applied for and received IRS approval.

All contributions must be made in cash, and you may make contributions at any time during the year, or by the date your tax return is due, not including extensions.

Self-Directed IRAs – A number of trust firms specialize in working with clients who desire the flexibility that exists with this format. Self-directed IRAs allow the investor to fully diversify his or her portfolio and access high return opportunities including real estate and other limited partnerships.

Tax-Free Transfers – Assets may be transferred from other retirement plans, including other traditional IRAs, to a traditional IRA. A rollover is a tax-free distribution of assets from one retirement plan to another retirement plan. You may rollover amounts from the following plans into a traditional IRA:

- A traditional IRA.
- Employer's qualified retirement plan (including 401(k) plans).
- Section 457 Deferred Compensation Plans.
- Section 403 Annuity Plans.

Conversions – If you meet specific income requirements (which are eliminated in 2010), you are eligible to convert amounts from a traditional IRA to a Roth IRA. You must pay ordinary income tax on the pretax amount converted. Reasons for converting include:

- To avoid taking Required Minimum Distributions.
- To make any distributions tax-free.
- Money spent on conversion taxes reduces the taxable estate, yet the Roth IRA may be left to heirs, with tax-free distributions.

Required Minimum Distributions (RMD) – Traditional IRA owners must start taking distributions by April 1 of the year after they reach 70.5. Distributions are calculated based on account balance and life expectancy, and are taken annually. Owners of Roth IRAs are not required to take RMDs.

Inherited IRAs – Special rules apply to beneficiaries of IRAs. The decedent's spouse may treat the IRA as his or her own. Non-spouse beneficiaries are not permitted to rollover or convert inherited IRAs, and normally must begin taking RMDs by December 31 of the year following the death of the IRA owner.

Refer to IRS Publication 590 (www.irs.gov) for detailed IRA rules, including income limits for deductible and non-deductible contributions, withdrawals, conversions, and inherited IRAs.

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