



# Premiere Select<sup>®</sup> IRA Guide

Invest in your retirement today



## Saving for your retirement is important in any market.

If you're planning for your future, an IRA can offer you more choices than ever before. You may be eligible to make tax-deductible contributions to your IRA. You can take advantage of flexibility to tap your IRA savings to finance other goals, such as a first-time home purchase. If you qualify, retirement assets may be distributed tax free with a Roth IRA.

No matter what your current career stage, level of assets, or the length of time you may have been saving, there's an IRA that can help you make the most of your retirement income planning. Work with your financial representative to determine which type of IRA may help you meet your overall retirement goals.

## Traditional IRA

Annual contributions that you make to your Traditional IRA may be tax deductible, depending, in part, on your adjusted gross income (AGI) and your participation in an employer-sponsored retirement plan. Your earnings grow tax deferred, but you pay income taxes on your distributions, based on your income tax bracket and the tax rules in effect at the time of distribution.

A Traditional IRA offers you two different ways to retain more of what you earn. First, your annual contributions may be tax deductible if you meet certain requirements. Second, you don't pay taxes on your investment earnings until you withdraw them from your account.

## Roth IRA

For a Roth IRA, you contribute assets that have already been taxed, and you may not owe federal (and, in many cases, state) income taxes on your earnings, provided you meet certain conditions. Your contributions are not tax deductible, and your AGI must be below certain limits in order to contribute.

## Rollover IRA

A rollover IRA allows you to move eligible rollover money from your employer's retirement plan directly into an IRA—without paying current taxes or penalties.<sup>1</sup> This means that you can keep more of your money invested and working for you longer, on a tax-deferred basis.

## Who can contribute to a Traditional IRA?

You can contribute to a Traditional IRA as long as you earn compensation. Even if you are not eligible to make a tax-deductible contribution, you can still make nondeductible contributions and take advantage of tax-deferred compounding.

You (or your spouse) may also contribute to a Traditional IRA even if you don't earn compensation, as long as your spouse does. If you file a joint tax return and you earn less than your spouse, you may be able to contribute to your own separate IRA each tax year up to the limits described. As a married couple filing jointly, your total annual IRA contribution for one tax year cannot exceed twice the contribution amount permitted for an individual or 100% of your combined income, whichever is less.

## Who can deduct contributions?

For some people, the greatest appeal of a Traditional IRA is a tax deduction for the current year on contributions, although not every taxpayer can take advantage of this feature. Refer to Exhibit 1 on page 5.

### Adjusted gross income

Your annual income, as reported on your IRS Form 1040, is your total income minus a specific list of deductions, such as student loan interest payments and moving expenses.



### **How much can you contribute to an IRA?**

The annual amount that you may contribute to an IRA is the lesser of 100% of earned compensation or \$7,000 for 2024 and \$7,000 for 2025.

### **Catch-up contributions for IRA owners**

IRA owners aged 50 or older (as of December 31 of the tax year to which the contribution relates) are eligible to make a “catch-up” contribution each year in addition to their annual contributions. The annual catch-up contribution limit for 2024 and 2025 is \$1,000.

### **For taxpayers who do not participate in employer-sponsored retirement plans:**

- If you are an individual filer, you may fully deduct the maximum contributions allowed each year.
- If neither you nor your spouse participates in an employer-sponsored retirement plan, you may both fully deduct your annual contributions.

### **For taxpayers who participate in employer-sponsored retirement plans:**

- If you file your taxes as an individual and are an active participant in an employer-sponsored retirement plan, you may be eligible for a full or partial deduction, based on your AGI.
- If both you and your spouse are active participants in an employer-sponsored retirement plan, you may be eligible for a full or partial deduction, based on your joint AGI.
- If you are married, file a joint tax return, and are an active participant in an employer-sponsored retirement plan with a spouse who is not an active participant, deductible IRA contributions for the non-active spouse are phased out depending on your AGI. The spouse who is an active participant must determine the deductibility of annual contributions to a Traditional IRA, based on joint AGI.

Exhibit 1 on the next page illustrates tax years 2024 and 2025 income limits to help you determine whether a Traditional IRA contribution is deductible. Please consult your tax advisor or financial representative for more information.

## EXHIBIT 1: DEDUCTIBILITY OF TRADITIONAL IRA CONTRIBUTIONS

For taxpayers who participate in an employer-sponsored plan, the table below shows the AGI limits for determining the deductible amount of a Traditional IRA contribution.

TAX YEAR	FILING STATUS	FULLY DEDUCTIBLE	PARTIALLY DEDUCTIBLE	NOT DEDUCTIBLE
2024	Single	Up to \$77,000	More than \$77,000, but less than \$87,000	\$87,000 or more
	Married filing jointly	Up to \$123,000	More than \$123,000, but less than \$143,000	\$143,000 or more
	Married filing separately	N/A	Less than \$10,000	\$10,000 or more
2025	Single	Up to \$79,000	More than \$79,000, but less than \$89,000	\$89,000 or more
	Married filing jointly	Up to \$126,000	More than \$126,000, but less than \$146,000	\$146,000 or more
	Married filing separately	N/A	Less than \$10,000	\$10,000 or more

For a taxpayer filing a joint return who does not participate in an employer-sponsored plan but whose spouse does, the table below shows the AGI limits for determining the deductible amount of a Traditional IRA contribution.

TAX YEAR	FILING STATUS	FULLY DEDUCTIBLE	PARTIALLY DEDUCTIBLE	NOT DEDUCTIBLE
2024	Married filing jointly	Up to \$230,000	More than \$230,000, but less than \$240,000	\$240,000 or more
2025	Married filing jointly	Up to \$236,000	More than \$236,000, but less than \$246,000	\$246,000 or more

## A valuable retirement planning tool

### Distributions

The primary purpose of an IRA is to accumulate funds for retirement. For this reason, there are generally tax consequences for withdrawing assets before you reach age 59½. In addition to owing ordinary income tax on your withdrawal before age 59½, you may have to pay a 10% penalty on the taxable portion of your distribution. There are some exceptions to this rule, which allow distributions under certain circumstances for higher education expenses, a first-time home purchase, or other specified purposes without paying a penalty. For more details, refer to Exhibit 3 on page 10.

A Traditional IRA requires you to begin taking distributions at age 73, referred to as required minimum distributions (RMDs).

The rules for computing annual RMDs can be quite complex, and mistakes can prove costly. After your death, your assets can be passed on to your beneficiary(ies)—as specified by your beneficiary designation (or, if there is no beneficiary designation, as specified by the provisions of the IRA Custodial Agreement).

The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 and the SECURE 2.0 Act of 2022 may impact the distribution alternatives available for beneficiaries. Discuss these changes with your investment and tax advisors to understand how changes under the SECURE Acts affect you.

You should check with your tax advisor about your circumstances before you begin taking distributions.

# How does a Roth IRA work?

## Tax-free earnings for life

A Roth IRA is different from a Traditional IRA. Unlike a Traditional IRA, contributions to a Roth IRA are not tax deductible. However, as long as you comply with certain conditions, earnings from a Roth IRA are not simply tax deferred—they may be tax free. Even though your contributions are made on an after-tax basis, you can keep everything you earn for your retirement.

## Who can contribute to a Roth IRA?

You must earn compensation and meet certain income limits in order to make annual contributions to a Roth IRA.

## Distributions

You can leave your assets in your account and continue enjoying the advantages of tax-free compounding throughout your lifetime. Qualified distributions from a Roth IRA are free from federal (and, in many cases, state) income taxes, although early withdrawals may be subject to both taxes and a 10% penalty. You'll find more information about IRA distribution rules in Exhibit 3 on page 10.

### EXHIBIT 2: AGI ELIGIBILITY FOR ROTH IRA CONTRIBUTIONS

The table below shows the AGI limits for determining eligibility to make Roth IRA contributions.

TAX YEAR	FILING STATUS	FULLY ELIGIBLE	PARTIALLY ELIGIBLE	NOT ELIGIBLE
2024	Single	Less than \$146,000	At least \$146,000, but less than \$161,000	\$161,000 or more
	Married filing jointly	Less than \$230,000	At least \$230,000, but less than \$240,000	\$240,000 or more
	Married filing separately	N/A	Less than \$10,000	\$10,000 or more
2025	Single	Less than \$150,000	At least \$150,000, but less than \$165,000	\$165,000 or more
	Married filing jointly	Less than \$236,000	At least \$236,000, but less than \$246,000	\$246,000 or more
	Married filing separately	N/A	Less than \$10,000	\$10,000 or more

An IRA can help give you the financial freedom to live the life you want in retirement. Contact your tax advisor or financial representative to learn more about which type of IRA may work best for you.

# What kind of IRA should I open? Traditional or Roth?

Your tax advisor or financial representative can help you analyze the relative advantages of each strategy. Before choosing, here are some questions to consider.

## 1. How much will I earn this year?

If you do not meet the contribution income eligibility criteria noted in Exhibit 2 on page 6, you cannot contribute to a Roth IRA. Instead, consider a Traditional IRA. Even if your contributions are not tax deductible (see Exhibit 1 on page 5), you can still enjoy the significant advantage of tax-deferred earnings.

## 2. Can I deduct contributions to a Traditional IRA?

If you can reduce your current tax liability, a Traditional IRA may be more attractive. See the tax deductibility rules in Exhibit 1 on page 5.

## 3. Which IRA is best if I expect to pay a lower tax rate in retirement?

A Traditional IRA may make more sense. However, if you expect your tax rate to be the same or higher in retirement, you may gain no benefit from deferring taxes. Consider a Roth IRA.

## 4. Does my retirement date make a difference?

Although future tax rates may be the biggest factor to consider, a Roth IRA may be a compelling choice for a young investor. If retirement is still a long way off, you have many years to earn a return on your investment. Tax-free compounding could make a more dramatic difference in your retirement savings than tax-deferred compounding in a Traditional IRA.

## 5. Must I comply with minimum distribution rules?

Traditional IRAs have minimum distribution requirements, which begin at age 73. Roth IRAs do not—so you can leave some or all of your Roth IRA savings to grow and compound tax free for as long as you live.

## 6. What if I am concerned about building an estate for my heirs?

If you are, consider a Roth IRA. Roth IRAs have emerged as a powerful estate planning tool, both because they require no minimum distributions during your lifetime and because all qualified distributions are free from federal (and, in many cases, state) income taxes. With proper planning, a Roth IRA may help you save on taxes. Because distributions from a Roth IRA are generally free from federal (and, in many cases, state) income taxes upon the death of the account owner (depending on future tax rules), Roth IRA assets may be subject only to estate taxes. Very often, Traditional IRAs can be hit with both federal (and, in many cases, state) income and estate taxes upon the death of the account owner. In fact, under certain circumstances, your Roth IRA savings can grow tax free over both your lifetime and that of your heirs. Imagine the effect of compounding over such a long period of time. If this option appeals to you, remember that estate planning can be a complex task. You should consult your tax advisor or financial representative for help.

## 7. Can I contribute to both a Traditional IRA and a Roth IRA?

If you meet the eligibility requirements, you can contribute to both a Traditional IRA and a Roth IRA in the same tax year. However, the combined yearly contribution to all your IRAs (Traditional and Roth) cannot exceed the total that you are allowed to contribute to either a Traditional or Roth IRA or your total compensation, whichever is less.

# What are the benefits of a Rollover IRA?

A Premiere Select Rollover IRA offers a convenient vehicle in which to invest your retirement plan savings to pursue your retirement goals. This self-directed brokerage account enables you to work with your financial representative to choose from thousands of mutual funds managed by well-known companies, as well as individual securities, including stocks and bonds.

## Four options for distributing your employer-sponsored retirement plan

### Direct rollover to a rollover IRA

A rollover IRA allows you to move eligible rollover money from your employer's retirement plan directly into an IRA—without paying current taxes or penalties.<sup>1</sup> This means that you can keep more of your money invested and working for you longer, on a tax-deferred basis.

### Leave the money in your former employer's plan

Generally, this option is available if the plan allows it and your vested account balance in the plan is greater than \$5,000. You may elect to take your money at a later date or keep the money in the plan until normal retirement age. Check with your plan administrator for details. While this may be the easiest course of action to take now, you may want to consider a few points, including that later on you may find your plan rules

too restrictive. Your former employer's plan may offer limited investment options, restrict access to your money, constrain the number of permitted exchanges, or charge a fee to inactive participants.

### Direct rollover to your new employer's plan

If you are changing jobs and your new employer sponsors a retirement plan that accepts rollovers, you may opt to move your eligible rollover money directly into your new employer's plan. Doing so would enable your eligible rollover money to remain invested on a tax-deferred basis. You would also avoid paying current income taxes or penalties. Before you make this decision, it's important to talk with the plan administrator at your new company, as rules and investment options vary among retirement plans.

### Take a cash distribution

If you decide to take your retirement distribution in a single payment (and do not subsequently roll over these assets within 60 days of receipt), you may end up with much less money than you were expecting.\* That's because your distribution will be subject to:

- 20% automatic withholding—your employer is required by the IRS to withhold 20% of your eligible distribution for prepayment of federal income taxes.<sup>2</sup>

\* With a cash distribution, you have the option to complete an "indirect" or 60-day rollover. If you received a distribution check made out to you from the plan, and 20% of the taxable portion was withheld for income taxes, you have the option to roll the eligible assets over to an IRA or another employer plan that permits rollovers. To do this, you need to replace the 20% that was withheld with money from another source within 60 days of receiving the distribution. If you do, the 20% that was withheld is credited toward your income tax liability when you file your tax return. However, if you don't have the cash to make up the 20% withheld, the IRS will consider that 20% as a distribution, making it subject to taxes and a possible 10% early withdrawal penalty if you are under age 59½.

Protection of your retirement assets from creditors may also be an important consideration for you. The rules vary, depending on the account type holding your assets. You may want to discuss this with your financial representative and/or your tax advisor before initiating a rollover or distribution.





The type of IRA you select can have long-term financial implications for you and your loved ones. Your tax advisor or financial representative can help you decide which IRA may best suit your needs—and help you toward greater long-term financial security.

# How will I withdraw my IRA savings?

## Exhibit 3: Distributions from both Roth and Traditional IRAs

### Penalty-free distributions

#### Roth IRAs and Traditional IRAs

The 10% early withdrawal penalty will not apply to a distribution, as long as you are at least age 59 1/2 or qualify for an exception. Some exceptions to the early withdrawal penalty include:

- Qualified higher education expenses
- Qualified first-time home purchase (up to \$10,000 lifetime limit)
- Certain substantially equal periodic payments
- Certain medical expenses in excess of 10% of AGI (or 7.5% if account owner or his or her spouse was born before January 2, 1950)
- Certain unemployment expenses
- IRS levies
- Qualified reservist\*
- Disability
- Death
- Qualified birth or adoption distribution (\$5,000 limit)<sup>†</sup>
- Domestic abuse
- Terminal illness
- Qualified disaster distributions
- Emergency personal expenses
- Return of excess contributions & applicable earnings (Note: an excess contribution that is not removed timely, may be subject to a 6% penalty for each year it remains in the IRA.)
- Qualified Health Savings Account (HSA) rollover<sup>‡</sup>

### Penalty-free and tax-free distributions

#### Roth IRAs

With a Roth IRA, you pay no penalty and no federal taxes on your distribution, as long as you have satisfied the five-year aging requirement (see page 11 for details) and you are at least age 59 1/2 or qualify for an exception.

Certain limitations may apply to an exception to the 10% early withdrawal penalty. Consult with your financial representative or tax advisor for more information and/or to determine if you qualify for an exception.

\* A qualified reservist distribution is made to an individual ordered or called to active duty for at least 180 days. This applies to distributions taken—and to individuals called to active duty—after September 11, 2001.

<sup>†</sup> A qualified birth or adoption distribution made to an individual during the one-year period beginning on the date on which a child of the individual is born or on which the legal adoption by the individual of an eligible adoptee is finalized. An eligible adoptee is an individual (other than a child of the taxpayer's spouse) who has not attained age 18 or is physically or mentally incapable of self-support.

<sup>‡</sup> A one-time irrevocable direct rollover to an HSA is limited to the HSA regular contribution limit for the year and cannot be deducted from income as an HSA contribution.

### **Avoid paying unexpected penalties**

IRAs were designed primarily with your retirement in mind. They can also help you finance certain other goals, such as higher education expenses or a first-time home purchase. If you use IRAs as they were intended, you can work toward avoiding many needless headaches and expenses. However, if you take a distribution without considering the rules, you may find yourself owing unexpected taxes, a 10% early withdrawal penalty, or both.

### **Penalty-free distributions from a Roth IRA**

Distributions from Roth IRAs are taken from the nontaxable portion of the assets first. Only when all original contributions have been distributed will any earnings be distributed (they may be subject to taxation). Annual contributions may be withdrawn from a Roth IRA at any time, tax free and penalty free.

### **Taxes on IRA distributions**

All distributions from a Traditional IRA are taxed at your ordinary federal income tax rate, except for after-tax contributions. Qualified distributions from a Roth IRA are free of federal income taxes. Consult a tax advisor or financial representative about your specific situation.

### **Five-year aging requirement**

To avoid taxes and penalties on a distribution from a Roth IRA, you must have satisfied the five-year aging rule. The five-year period begins on January 1 of the year for which you made your first Roth IRA annual contribution or, if earlier, on January 1 of the year in which you made your first conversion contribution. All subsequent annual contributions receive this initial five-year aging date; however, each subsequent conversion receives its own five-year aging date for purposes of determining whether distributions are qualified distributions.

### **What are my next steps?**

Whether you've decided to contribute to a Traditional or Roth IRA, convert an existing IRA, or transfer an IRA, the process is easy. Simply follow these steps:

**Step 1**—For each new IRA, complete and sign the Premiere Select IRA Application.

**Step 2**—For a transfer, complete the Transfer of Assets form.

For the conversion of an existing IRA (but not a Roth IRA) to a Roth IRA, complete the Roth IRA Conversion form.

For a rollover, follow your plan's distribution requirements, including filling out and returning any applicable forms to your employer.

**Step 3**—Submit your application and any applicable transaction request forms to your financial representative for processing.

<Affix your broker dealer name>



<sup>1</sup> Distribution amounts eligible for rollover are generally all pretax contributions (contributions made to your plan that have not yet been taxed) and any investment earnings, both on pretax and any after-tax contributions. You may roll over after-tax contributions (contributions made to your plan that have been taxed). After-tax money in an IRA, including after-tax money rolled in from a 403(b) or governmental 457(b) plan, cannot be rolled from the IRA to a 403(b) or governmental 457(b) plan.

<sup>2</sup> This withholding percentage applies to the eligible portion of your distribution that is not directly rolled over to an IRA or another employer-sponsored plan.

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