INDIVIDUAL RETIREMENT ACCOUNT

Retirement may seem far away, but it's never too early to determine how much you'll need and to begin the process of saving. Making smart financial decisions now can help impact how you live in retirement. We can assist you along the way with our Individual Retirement Account (IRA) program—it's designed to help you reach your retirement goals.

An IRA is a tax-deferred personal savings account that allows you to save for retirement without a company-sponsored plan. Throughout your lifetime, you can make tax-deductible "contributions" to your IRA, which you can then invest in basic securities such as stocks and bonds. For 2017, the annual amount you can contribute to an IRA is the lesser of 100% of earned compensation or $5,500. If you are age 50 or older (as of December 31 of the tax year to which the contribution relates), you are eligible to contribute an annual "catch-up" contribution each year of up to $1,000.

With a traditional IRA—the most common type of IRA—income taxes are deferred until you withdraw them, so you don't pay annual federal (and, in many cases, state) income taxes on your earnings. At age 59 ½, you can make taxable withdrawals from the account called distributions for your retirement. If you choose to take distributions before you turn 59 ½ years old, the government imposes a premature distribution penalty of 10% on your withdrawal. Additionally, when you turn 70 ½ years old, you are required to take distributions by April 1 of the calendar year.

Roth IRA Account

Unlike the traditional IRA, contributions to the Roth IRA are considered "after-tax" and therefore not deductible, but you can take distributions from the Roth IRA tax-free. The maximum annual contribution to the Roth IRA for 2017 is $5,500, with an additional $1,000 "catch up" contribution allowed each year for individuals age 50 and older (as of December 31 of the tax year to which the contribution relates).

The Roth IRA became an option after the Taxpayer Relief Act of 1997, and allows for investors filing single on their taxes with a modified adjusted gross income in 2017 of less than $132,000 or married couples filing jointly with a combined adjusted gross income of less than $194,000 annually, to make limited, annual contributions toward retirement. There is no mandatory age at which you are required to take distributions from the Roth IRA, and there is no premature distribution penalty for amounts you withdraw from the principal.

Coverdell Education Savings Account (ESA)

The Coverdell Education Savings Account or Education IRA is a trust created exclusively for the purpose of paying qualified education expenses. You can contribute up to $2,000 per year to the account and those contributions will grow tax-free until distributed. In addition, the beneficiary will not owe tax on the distributions if they are less than a beneficiary's adjusted qualified education expenses at an eligible institution.

Savings Incentive Match Plan for Employees (SIMPLE)

In this written salary reduction arrangement, eligible employees contribute to an IRA in their name. Your employer is required to make annual contributions for each eligible participant. This type of arrangement is available to self-employed individuals or owners of companies that have 100 or fewer employees and no qualified retirement plan. Employees are eligible for a SIMPLE-IRA if they earn at least $5,000 annually. SIMPLE-IRAs may be funded by annuities.

For 2017, the maximum employee contribution limit is the lesser of 100% of compensation or $12,500. SIMPLE IRA owners age 50 or older (as of December 31 of the tax year to which the contribution relates) may be eligible to make an annual "catch-up" contribution each year of $3,000. The money contributed to a SIMPLE IRA will accumulate tax deferred until money is withdrawn. Withdrawals are subject to ordinary income tax and, if taken before age 59 ½, a 10% federal income tax penalty may apply and this penalty is increased to 25% for distributions taken within the first two years of participation in the plan.

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