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TRADITIONAL & ROTH IRAs

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# WHAT'S THE DIFFERENCE?

Take a look at this breakdown of a Traditional and Roth IRA and discover the similarities and differences between various features of each account.

*Note: It is possible to have both a Traditional and a Roth IRA.*

Visit [www.TrustETC.com](http://www.TrustETC.com) or call 855-673-4721 to learn more about your self-directed account options.

Traditional IRA		Roth IRA
Contributions are made pre-tax and may provide a tax deduction (pending eligibility)	TAXES ON FUNDS CONTRIBUTED TO THE IRA	Contributions are made after-tax and do not provide a tax deduction
Must have earned income	ELIGIBILITY FOR CONTRIBUTIONS	Must have earned income
No income limits to make contributions	INCOME LIMIT ELIGIBILITY FOR CONTRIBUTIONS	Subject to MAGI Limits: 2022 Single: MAGI less than \$129,000 is eligible for a full contribution. Must be less than \$144,000 to be eligible for a partial contribution. 2022 Filing Jointly: MAGI less than \$204,000 is eligible for a full contribution. Must be less than \$214,000 to be eligible for a partial contribution.
2022: \$6,000	CONTRIBUTION LIMITS	2022: \$6,000
2022: \$7,000 if 50+	CATCH-UP CONTRIBUTION LIMITS	2022: \$7,000 if 50+
Tax deadline for year of contribution	CONTRIBUTION DEADLINE	Tax deadline for year of contribution
Contributions and earnings/growth are not taxed while inside the account (tax-deferred) as long as IRS rules are followed.	TAXES ON FUNDS/ INVESTMENTS INSIDE THE IRA	Contributions and earnings/growth are not taxed while inside the account (tax-free) as long as IRS rules are followed.
Traditional Assets: stocks, bonds, mutual funds, etc.  AND Alternative Assets: real estate, notes, private equity, REITs, digital currency, tax liens, private lending, etc. <b>when self-directed at Equity Trust</b>	INVESTMENT OPTIONS	Traditional Assets: stocks, bonds, mutual funds, etc.  AND Alternative Assets: real estate, notes, private equity, REITs, digital currency, tax liens, private lending, etc. <b>when self-directed at Equity Trust</b>
Taxed as ordinary income when removed from the account after age 59½ (contributions or earnings).  If removed before age 59½ (contributions or earnings), subject to a 10% penalty.	TAXES ON WITHDRAWALS FROM THE IRA	<u>Tax-free</u> when removed from the account after age 59½ and after the account has been established for five years (contributions or earnings).  Contributions can be removed from the account tax- and penalty-free before age 59½ after the account has been established for five years.  Early distribution of any earnings may be taxed as ordinary income and subject to a 10% penalty.
Starting at age 72	REQUIRED MINIMUM DISTRIBUTIONS (RMDs)	No RMDs for original account owner. RMDs may apply to those who inherit a Roth IRA as a beneficiary.

- Notes:**
- The IRS contribution limits (referenced above) are applicable across all Traditional or Roth IRAs you may own, regardless of the account type or where the accounts are held. Therefore, \$6,000 is the maximum you can contribute (if under age 50) in 2022 between your Roth and Traditional IRA (if you have both) or between a self-directed IRA held at Equity Trust and an IRA held at another institution.
  - The account owner (or their spouse if filing jointly) must receive taxable income in the year they make an out-of-pocket contribution to their IRA to be eligible to contribute.
  - The contribution amount cannot exceed the taxable income earned by the account holder in that year. For example, if only \$3,000 is earned in taxable income, the maximum contribution limit in this instance across all IRAs would be \$3,000 instead of the maximum limit of \$6,000.
  - Please reference IRS Publication 590-A for more information about IRA contributions and IRS Publication 590-B for more information about IRA distributions.



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