

IRA BENEFITS

The opportunity for tax free growth that an IRA offers is an investors dream. An IRA allows you to avoid paying federal or state taxes on a sale and keep those dollars to reinvest in your portfolio.

Traditional IRAs offer the investor

1. *Reduced Taxes through Deductible Contributions*
2. *Tax Free Growth*
3. *TAXABLE Distributions*

Roth IRAs benefits include:

1. *After-tax contributions*
2. *Tax Free Growth*
3. *100% TAX FREE DISTRIBUTIONS*

IRA TIP—Make your IRA contribution (deductible or non-deductible) as early in the year as possible. A contribution made in January has 15 additional months to grow versus a contribution made in April before your tax returns are due. Analyses have shown 15 additional months of growth can add 25% to your portfolio over 20 years!

RETIREMENT PLAN CONTRIBUTION LIMITS For 2011

Below are the 2011 retirement plan contribution limits. You can make your IRA contribution in this tax year or up until April 15th of the following year. SEP and Indy K contributions can be made up until the due date of the tax return, including extensions.

Traditional and Roth IRA

- \$5,000
- Age 50 & older \$6,000
- Same for Non-Working Spousal IRA

Simple IRA

- \$11,500
- Age 50 & older \$14,000

SEP IRA

- \$49,000
- No over 50 catch up contribution

401(k) Plan including Indy K Plans

- \$16,500 Employee
- Age 50 & older \$22,000
- Employer Contribution of up to 25% of wages. Max Contribution \$49,000

To make a contribution to an IRA, you must have earned income. This can be explained as any income that you have paid social security tax on. The two most common types of earned income are wages and self employment income.

Many taxpayers are unaware that if you participate in a company sponsored retirement plan, your IRA contribution may not be deductible. For single filers who have a company sponsored retirement plan in 2011, the deduction is phased out between \$56,000 and \$66,000 of adjusted gross income. The phase out is \$80,000 to \$109,000 for joint filers.

Regarding a Roth IRA, if your income exceeds \$179,000, you are not allowed to deposit directly to a Roth IRA. However, you are allowed to make a nondeductible traditional IRA Contribution if your income exceeds the threshold and then convert to an Roth IRA. No one said it was easy to get from Point A to Point B with the IRS.

IRS Publication 590 contains all IRA and 401(k) plan limits.

For More Information go to www.entrustfreedom.com

How Does an IRA Differ from a 401(k)?

A 401(k) is an **employer-sponsored retirement plan** that allows employees to start saving money for retirement by setting aside a certain percentage of their paycheck to the company retirement plan. Retirement savings from the 401(k) is tax-deferred, meaning the person is not taxed until the time of withdrawal. 401(k) contributions can be rolled to another company 401(k) or Traditional IRA should the employee separate service.

If you don't qualify for a Traditional IRA, don't be afraid of Nondeductible IRA Contributions—The goal any retirement plan should be the accumulation of wealth. If you cannot contribute to a traditional IRA, there is an opportunity with a Nondeductible IRA to get money into a tax free vehicle. Also, starting in 2010, you can convert your nondeductible IRA Contributions to a Roth IRA and enjoy truly tax free income. For more information on IRA accounts, go to www.taxfreestrategies.com.