

Understanding IRAs

Take Control of Your Financial Future

What is an IRA and what are their benefits?

An IRA, or an Individual Retirement Account, is a way for individuals to save for retirement on a tax-free growth or on a tax-deferred basis. IRAs offer a wide range of investment options such as stocks, bonds, or mutual funds.

Contributions may be tax-deductible, and the earnings can grow tax-deferred until retirement. The tax advantages of an IRA allow for your savings to potentially accumulate and grow faster compared to a taxable account. IRA accounts can supplement pension plans, social security benefits, and savings accounts.

Types of IRAs

APCI FCU offers Traditional and Roth IRAs with no annual maintenance fees. Various rates and terms are available.

Traditional IRAs

- Contributions may be tax deductible depending on IRA holders adjusted gross income and other circumstances.
- Earnings grow tax deferred.
- Money contributed and earned is subject to income tax at the time of withdrawal.
- Normal distributions may be made without IRS penalty when IRA holder reaches 59 ½.*
- Withdrawals before 59 ½ are subject to a 10% early distribution penalty (certain exceptions apply).*
- Annual minimum distributions are required when the IRA holder turns 73.

Roth IRAs

- Funded by after-tax dollars; contributions are not initially tax-deductible.
- Earnings grow tax deferred.



- Withdrawals before 59 ½ are subject to a 10% early distribution penalty (certain exceptions apply).*
- Qualified withdrawals of contributions and earnings are tax free.*
- No required minimum distribution regardless of age.

IRAs and NCUA

The National Credit Administration (NCUA) insures deposit accounts held in a Traditional IRA or Roth IRA at the financial institution up to \$250,000.00.

The IRA's you own at APCI Federal Credit Union are viewed as a single account for insurance purposes.

For instance, if you had \$100,000 deposited in a Roth IRA account and \$125,000 deposited in a traditional IRA account at the same institution, they would be treated as one IRA deposit account containing \$225,000. Since this is under the \$250,000 limit per institution, your funds are insured.

* Certificate withdrawal penalties may apply.

Common Terms

Earned Income is W2 income needed to be eligible to make a contribution. Earned Income cannot include Pension, Social Security or 401(K) Distributions funds.

Modified Adjusted Gross Income (MAGI) is the annual income amount that cannot be exceeded in order to make a contribution.

IRA Eligibility

Individuals with earned income, or the spouse of an individual with earned income, are eligible to contribute to an IRA. However, eligibility criteria can differ depending on the type of IRA.

Traditional IRA Eligibility

You may qualify for a Traditional IRA if:

- You did or will receive earned income for the tax year specified.

You may qualify for a Traditional Spousal IRA if:

- You or your spouse did or will receive earned income for the tax year specified.
- You and your spouse will file a joint federal income tax return for the year specified.

Roth IRA Eligibility

You may qualify for a Roth IRA if:

- You did or will receive earned income for the tax year specified.
- You and your spouse (if applicable) did or will receive Modified Adjusted Gross Income, (MAGI), less than the maximum permitted for the tax year specified.
- Your contribution may be limited if your MAGI exceeds certain income limits. For 2025, the maximum MAGI Limit is \$236,000 for married filing jointly, \$150,000 for single, and \$10,000 for married filing individually

You may qualify for a Roth Spousal IRA if:

- You or your spouse did or will receive earned income for the tax year specified.

- You and your spouse will file a joint federal income tax return for the year specified.
- You and your spouse did or will receive Modified Adjusted Gross Income, (MAGI), less than the maximum permitted for the tax year specified.
- Your contribution may be limited if your MAGI exceeds certain income limits. For 2025, the maximum MAGI limit is \$236,000.

Contribution Amounts

As a general rule, you have until Tax Day to make IRA contributions for the prior year. Contributions made for the previous year between January 1 and Tax Day are considered carry back contributions. In 2025, that means you can contribute toward your 2024 tax year limit until April 15.

For tax year 2025, the contribution limits for Traditional and Roth IRAs are \$7,000.00. The contribution limits are \$8,000.00 if you are age 50 or older, or if your entire taxable compensation for the year is less than these limits.

Resources

To open a Traditional or Roth IRA, please contact APCI FCU. Our Certified IRA Professionals will guide you as to which option may be right for you. IRA documents can now be signed with an electronic signature, making our processes more efficient and secure.

Visit the **Retirement** category of our **APCI FYI Blog** for posts about IRAs and other retirement related content.

Informative and interactive calculators can be found on apcfcu.org. Our **Retirement** calculators include:

- How much will I need to save for retirement?
- How much will I receive in Social Security?
- I'm retired, how long will my savings last?
- How much can I save with my 401(k)?
- Compare Roth 401(k) and Traditional 401(k) retirement savings plans.
- How much will inflation affect my retirement?