






# Traditional or Roth: Which IRA is right for you?

IRAs. You know what they are. You think you should have one. But which one is right for your retirement?

Retirement-minded individuals have the option of choosing between the tax-deductible benefit of a traditional IRA or the tax-free earnings growth of a Roth. Both are powerful savings tools, but to maximize the benefits of an IRA, you and your financial professional should determine which one best fits your retirement plan.

**The contribution limit in 2017 for both traditional and Roth IRA options is \$5,500, or \$6,500 if age 50 or older**

	Traditional IRA	Roth IRA
 <b>Who is eligible?</b>	- Anyone under 70½ with earned income	Anyone, regardless of age, with earned income that doesn't exceed these modified adjusted gross income limits: - Individuals: Up to \$133,000 for 2017 - Couples filing jointly: Up to \$196,000 for 2017 <sup>1</sup>
 <b>Taxes</b>		
On contributions <sup>2</sup>	- May be tax-deductible <sup>3</sup>	- Not tax-deductible
On earnings	- Tax-deferred	- Tax-free for those 59½ or older with accounts that have been open for five or more years
On withdrawals before age 59½	- Subject to a 10% premature distribution penalty (exceptions may apply) plus ordinary income tax on deductible contributions and earnings	- Contributions may be withdrawn at any time for any reason without taxes or penalties <sup>4</sup> - Earnings generally taxed as ordinary income and subject to a 10% premature distribution penalty (exceptions may apply) <sup>4</sup>
On withdrawals after age 59½	- Contributions that weren't deducted from taxes can be withdrawn tax-free; earnings taxed as ordinary income - Deductible contributions and earnings taxed as ordinary income	- Contributions may be withdrawn at any time for any reason without taxes or penalties <sup>4</sup> - Earnings can be withdrawn after five years without taxes or penalties <sup>5</sup>
 <b>Required Minimum Distributions (RMDs)</b>	- Must begin at age 70½	- No RMDs required

This information is not intended as tax advice. Tax information is based on federal income tax law. State and local income tax laws may differ. Please consult your tax advisor about your particular situation. Invesco representatives are not tax advisors.

1 For married couples filing separately in 2017, the modified AGI limit is \$10,000. Phase out for individuals begins at \$118,000 in 2017. Phase out for couples filing jointly begins at \$186,000 in 2017.

2 Contribution limits phase out based on the IRA owner's and spouse's modified AGI.

3 Deductibility depends on the IRA owner's and spouse's modified AGI and whether the owner is covered by an employer-sponsored retirement plan.

4 Each distribution is considered to come first from contributions, then from earnings.

5 If the individual is at least 59½, dies, is disabled or uses up to \$10,000 of the account's earnings for a first-time home purchase.

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### **Does an IRA fit into your retirement strategy?**

Tax laws related to IRAs are complex, and every investor's situation is unique. To determine how a traditional or Roth IRA may fit into your overall retirement strategy, talk to your financial professional, who understands your specific needs and goals. Your financial professional will ask you questions to determine which IRA may be best for you, for example:

- Are you or your spouse covered by a retirement plan at work?
- What is your modified AGI?
- Do you expect your tax rate at retirement to be significantly lower than it is now?
- Do you need to make an immediate tax-deductible contribution?
- Will you retire in five or more years?
- Do you anticipate using your IRA as an estate-planning tool?
- Do you need the flexibility to withdraw money from your IRA prior to age 59½?

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