IRA Management

Here is some information about common actions you might consider should you choose to manage your own IRA.

Recharacterization

It's okay to change your mind . . . even when it comes to investing. Let's say you make a tax-year contribution to a Traditional IRA and you later determine that you do not benefit from that tax deduction. You have the option to recharacterize and treat your Traditional IRA non-deductible contribution as a Roth IRA contribution. The contribution (plus earnings) is removed from the Traditional IRA and transferred to a Roth IRA.

If you convert your Traditional IRA to a Roth IRA during the year and later find out that your modified adjusted gross income (MAGI) is above the IRS limit, you will need to recharacterize.

It is possible to recharacterize just a portion of a conversion or a portion of a tax-year contribution. The recharacterized amount (contribution plus earnings) is not taxable.

Required Minimum Distributions (RMD)

Beginning January 1, 2020, IRA Owners who turn 70 1/2 *after* December 31, 2019 may postpone their RMD until the year they reach 72. Under the "SECURE" Act*, IRA Owners who turned 70 1/2 in 2019 will still need to take their 2020 RMD amount.

The "required beginning date" for required minimum distributions is April 1st of the calendar year following the year in which you reach the age of 72. You are then free to withdraw any amount desired, but you must withdraw at least a minimum amount calculated by dividing the adjusted account balance by the applicable life expectancy factor.

If the required minimum distribution is not withdrawn by the required distribution date, an IRS penalty tax of 50% will be assessed on the amount not withdrawn.

If you have multiple IRAs, the sum of the required minimums of each account must be withdrawn, but the total may be taken out of one account if desired.

**For more information and a full list of changes and/or enhancements to the SECURE Act, see the 116th Congress (2019-2020) H.R. 1994 at congress.gov.*

Rollovers and Transfers

Sometimes, moving around your IRA funds can help you better manage your retirement plans. You may find it helpful in avoiding possible penalties as well as assuring that your earnings continue to grow, tax-deferred, until withdrawn. There are two ways to go about doing this . . . through a rollover or a transfer.

In a rollover, your IRA funds are paid directly to you for redeposit into an IRA within 60 calendar days from when you receive the payment. This is allowed once every 12-month period per IRA owner.

Beginning in 2015, you can make only one rollover from an IRA to another (or the same) IRA in any 12-month period regardless of the number of IRAs you own. The limit will apply by aggregating all of an individual's IRAs (including SEP and SIMPLE IRAs as well as traditional and Roth IRAs) effectively treating them as one IRA for purposes of the limit.

Rollovers may also be placed into eligible employer-sponsored plans. These plans include 401(k)s, Section 403(b) tax-sheltered annuity plans, and IRC Section 457(b) plans.

In a transfer, your funds are moved directly from one IRA to another without you ever having direct control of them. This can be done as frequently as needed.

FAQs

May I open more than one IRA?
Yes, you may have as many IRAs as you like. However, no matter how many IRAs you establish, you may still only contribute your maximum eligible contribution per year (total) to both Traditional and Roth IRAs. If you decide to contribute over this limit, tax penalties will be enforced.

Can I withdraw money from my IRA if I need it early?
Money can be withdrawn from your IRA at any time, however premature distributions are subject to tax stipulation, and may also be subject to a 10% early withdrawal penalty. (Please note that there are certain exceptions to this rule.) Bank penalties may also apply.

When do I have to start taking distributions from my Roth IRA?
You never have to take distributions from your Roth IRA. Assets held in a Roth IRA are not subject to age 72 required minimum distributions.

What happens to my IRA in the event of my death?
Your named beneficiary/beneficiaries will receive the entire proceeds of the IRA. The IRA's distribution will follow the rules of the required minimum distribution and your IRA agreement.

What is the deadline for opening or contributing to an IRA?
An IRA may be opened at any time, and you have until April 15th or the tax deadline date to make a contribution for the previous year.

How do I open an IRA?
Talk to a Customer Service Representative at any Austin Bank location. They will be happy to give you more detailed information and get you started with the retirement account of your choice.

For more information, contact an Austin Bank Customer Service Representative or visit www.austinbank.com.

This brochure is effective for tax-year 2020. This brochure is intended to provide general information concerning federal tax laws governing IRAs. It is not intended to provide legal advice or to be a detailed explanation of the rules or how such laws may apply to your individual circumstances.
For specific information you are encouraged to consult your tax or legal professional.
The IRS's web site, www.irs.gov, may also provide helpful information.

Individual Retirement Accounts

Plan Here. Plan Now.

Austin Bank

Stop.
Take a moment.
Think about your future.

What do you see? How have you arranged your post-retirement personal finances? And, how will these plans affect your lifestyle?

The truth is, people often get too busy to think that far ahead. Retirement plans are put off over and over again. That's why Austin Bank makes it simple to open and manage IRAs. Use this guide to learn the basics of IRAs and be sure to contact an Austin Bank Customer Service Representative to help get you started - and on your way to saving for the future you dream of enjoying.

Don't put retirement planning off one more day. Plan here . . . and plan now.

The Basics

IRAs are a great way to save for your future - or your children's future - and in many cases, you can defer tax liability.

Traditional IRA

Beginning January 1, 2020, under the ***"Setting Every Community Up for Retirements Enhancement" (SECURE) Act****, there are no age restrictions to contribute to an IRA as long as the IRA owner has "earned income" or is married to someone with "earned income" *and* they are filing a joint tax return.

There are limitations on how much you can contribute to a Traditional IRA. However, if you are age 50 and older, you can choose to make additional catch-up contributions. All earnings on your contributions will remain tax-deferred until you make withdrawals from the account. They are then taxed as income in the year they are withdrawn.

**For more information and a full list of changes and/or enhancements to the SECURE Act, see the 116th Congress (2019-2020) H.R. 1994 at congress.gov.*

Roth IRA

The chief advantage of the Roth IRA is the ability to earn on your investments while managing your tax liability.

A Roth IRA allows only non-deductible contributions. Withdrawals on your "out of pocket" contributions are always tax-free. However, withdrawals on the "earnings" portion of your contributions are only penalty and tax-free after a five-year holding period and attaining age 59 ½.

You are eligible to contribute to a Roth IRA if you, or your spouse, has earned income and if your modified adjusted gross income (MAGI) has not exceeded certain limits.

Coverdell Educational Savings Account

The Coverdell Educational Savings Account (CESA) is a nondeductible account that features tax-free withdrawals specifically used for a child's educational expenses. This can include tuition, fees, books, supplies and equipment required for the enrollment at an eligible education institution.

Simplified Employee Pension Plans

Simplified Employee Pension Plans (SEP IRAs) are established by employers, including self-employed individuals, and allow tax-deductible contributions to be made by the employer on behalf of eligible employees. Employers may contribute to the plan with the limit being the lesser of 25% of the employee's compensation for the year or the IRS limit for that tax year.

SIMPLE IRA

A SIMPLE IRA plan (Savings Incentive Match Plan for Employees) allows employees and employers to contribute to traditional IRAs set up for employees. Eligible employees can contribute through regular salary deferrals, and the employer may make matched contributions of up to 3% of annual compensation.

Traditional Investing

When developing a plan for building retirement funds, some individuals feel more comfortable incorporating traditional investing tools, such as certificates of deposits (CDs). With traditional investing, contributions may be made at any time and these products are insured by the FDIC.

CONTRIBUTIONS TO EXISTING IRA:

The deadline for making a contribution to an IRA is normally April 15th (even if the customer gets an extension for filing their income tax). A special allowance is made for SEP IRAs which are allowed to contribute to their tax extension deadline date.

Traditional and Roth IRAs Annual Regular Contribution Limits* Tax Year 2019/2020	
Contribution Limit Under Age 50	**Contribution Limit Age 50 and Over**
$6,000.00	$7,000.00

*NOTE: The regular contribution to both Traditional IRA and Roth IRA (in the same tax year) are added together and cannot exceed the Annual Maximum Contribution Limits.

SEP IRA Contribution Limits	
Contribution Tax Year	**Maximum Contribution Amount**
2019	$56,000.00 or 25% of compensation
2020	$57,000.00 or 25% of compensation

SIMPLE IRA Contribution Limits		
Contribution Tax Year	**Contribution Limit Under Age 50**	**Contribution Limit Age 50 and Over**
2019 / 2020	$13,000.00 / $13,500.00	$16,000.00 / $16,500.00

COVERDELL EDUCATION SAVINGS ACCOUNT (CESA)	
Annual Contribution Limit	$2,000.00 per child per year