

# IRA Funding

	Traditional	Roth
Eligibility	<ul style="list-style-type: none"> <li>Must have taxable compensation</li> <li>Has not attained 70½ year</li> </ul>	<ul style="list-style-type: none"> <li>Must have taxable compensation</li> <li>Modified adjusted gross income (MAGI) must be within prescribed limits (See chart below*)</li> </ul>
Limits	<p><b>Single filer</b> Lesser of</p> <ul style="list-style-type: none"> <li>\$5,000 (\$6,000 if age 50 or older in the year of contribution), or</li> <li>the individual's taxable compensation for the year.</li> </ul> <p><b>Married individual filing a joint return</b> Lesser of</p> <ul style="list-style-type: none"> <li>\$5,000 (\$6,000 if age 50 or older in the year of contribution), or</li> <li>the married couple's taxable compensation for the year minus any regular/spousal contributions (Traditional and/or Roth) for the year made for his/her spouse.</li> </ul>	
Funding Deadline	Tax return due date not including extensions	

* Roth IRA Contribution MAGI Phase-Out Ranges	2010	2011
Single Individuals	\$105,000 - \$120,000	\$107,000 - \$122,000
Married, Filing a Joint Federal Income Tax Return	\$167,000 - \$177,000	\$169,000 - \$179,000
Married, Filing a Separate Income Tax Return	\$0 - \$10,000	\$0 - \$10,000

## Calculating a Phase-Out Amount

If an IRA owner's MAGI falls within the Roth IRA Contribution phase-out ranges, he or she is only entitled to a partial Roth IRA contribution. The partial contribution can be calculated using the following formula

$$\frac{(\text{Upper MAGI threshold} - \text{actual MAGI})}{\text{Maximum} - \text{minimum MAGI thresholds}} \times \text{Maximum contribution amount for the year (including catch-up contribution, if age eligible)} = \text{Maximum Roth IRA Contribution}$$

**Example:** Jim, who is age 56, is married filing a joint federal I income tax return. He and his wife Mary have \$174,000 MAGI in 2011. Jim's reduced contribution amount would be figured as follows:

$$\frac{(\$179,000 - \$174,000)}{\$179,000 - \$169,000} \times \$6,000 = \$3,000$$

The instructions are included <http://www.irs.gov/pub/irs-pdf/p590.pdf>



CORRECTED (if checked)

TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than amounts in boxes 2-4, 8-10, 13a, and 14a)		OMB No. 1545-0747		<b>IRA Contribution Information</b>	
		\$		2011			
		2 Rollover contributions		\$			Form 5498
TRUSTEE'S or ISSUER'S federal identification no.		PARTICIPANT'S social security number		3 Roth IRA conversion amount		<b>Copy B For Participant</b>	
				\$			4 Recharacterized contributions
PARTICIPANT'S name		Street address (including apt. no.)		5 Fair market value of account		This information is being furnished to the Internal Revenue Service.	
				\$			6 Life insurance cost included in box 1
City, state, and ZIP code		7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/>		8 SEP contributions		9 SIMPLE contributions	
		\$		\$		\$	
Account number (see instructions)		10 Roth IRA contributions		11 If checked, required minimum distribution for 2011. <input type="checkbox"/>			
		\$					
		12a RMD date		12b RMD amount			
		\$		\$			
		13a Postponed contribution		13b Year		13c Code	
		\$					
		14a Repayments		14b Code			
		\$					

Form 5498

(keep for your records)

Department of the Treasury - Internal Revenue Service



Notes:

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