

ROTH IRAs

Although contributions to a Roth IRA are not tax-deductible, earnings grow tax-deferred and withdrawals are tax-free if made more than five years after the Roth IRA was established, and the taxpayer has reached age 59 ½, becomes disabled, or dies. Unlike traditional IRAs, investors in a Roth IRA are not subject to the minimum distribution rules, and you can make contributions after age 70 ½ as a worker or spouse of a worker.

If you can't deduct traditional IRA contributions, you always will benefit from making Roth IRA contributions instead. Withdrawing both contributions and earnings tax-free in retirement will result in more money to spend than making nondeductible contributions to a traditional IRA.

Even if you can deduct traditional IRA contributions, you usually will benefit from making Roth contributions instead. A Roth contribution usually will result in more money to spend in retirement than the same traditional IRA contribution that you can deduct. This is true as long as your highest income tax bracket in retirement is the same or higher than it is now.

Contribution Limits

Individuals can contribute to a Roth IRA if they have an adjusted gross income (AGI) of up to \$122,000 for single, head of household, or \$179,000 for those married filing jointly.

The maximum annual Roth IRA contribution limits are:

2011	\$5,000
2012	Indexed to Inflation

Investors can convert a traditional IRA to a Roth IRA. Taxes must be paid on the amount of the conversion.

Qualified Distributions

A qualified distribution is any payment or distribution from your Roth IRA that meets the following requirements:

1. It is made after the 5-year period beginning with the first taxable year for which a contribution was made to a Roth IRA set up for your benefit, and
2. The payment of distribution is:
 - Made on or after the date you reach age 59 ½
 - Made because you are disabled
 - Made to a beneficiary or to your estate after your death, or
 - First time home purchases (up to a \$10,000 lifetime limit)

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