

Roth IRA

Saving for retirement and other life goals is one of the most important things you can do to plan for a secure financial future. Establishing a Roth IRA can be an ideal solution for many investors to provide tax-free income in retirement.



BENEFITS OF ROTH IRAS

- Contributions are allowed at any age¹
- Qualified distributions are tax-free
- Flexible withdrawal options are available
- No required minimum distributions (RMD)

CONTRIBUTIONS TO A ROTH IRA

Regardless of your age, if you or your spouse earned income during the tax year, you may be able to establish and make non-deductible contributions to a Roth IRA. The individual annual contribution is \$7,000 per person.

Earned income must at least equal the amount of the annual contribution. As shown in the following chart, the amount you are allowed to contribute to a Roth IRA for 2024 depends on your Modified Adjusted Gross Income (AGI):

SINGLE TAX PAYERS

	2024 AGI
Full contribution if under	\$146,000
Partial contribution if between	\$146k-\$161k
Ineligible if over	\$161,000

MARRIED FILING JOINT RETURNS

	2024 AGI
Full contribution if under	\$230,000
Partial contribution if between	\$230k-\$240k
Ineligible if over	\$240,000

(Married taxpayers filing separately with AGI less than \$10,000 can make a partial contribution to a Roth IRA)

¹Most states have laws governing contractual relationships with a minor. When establishing a Roth IRA for a minor, Davenport will require a parent's or guardian's signature in place of a minor's signature.

Roth IRA contributions are coordinated with those made to other IRAs and the total cannot exceed the annual contribution limit per year, per taxpayer.

Individuals and couples who are unable to make a deductible contribution to a Traditional IRA should consider a Roth IRA. Also, employees covered by an employer-sponsored plan may still be able to fund a Roth IRA.

CATCH-UP CONTRIBUTIONS

Individuals who are age 50 and over may make additional “catch-up” contributions to their Roth IRAs. The individual annual catch-up contribution limit is \$1,000.

COMPARING THE GROWTH OF INVESTMENTS

PRIMARY ASSUMPTIONS

- \$3,000 annual investment for 20 years
- 8% Annual Return
- 27% Tax Rate
- 100% deduction for deductible Traditional IRA contribution
- Reflects reinvestment of tax savings for Traditional IRA in a comparable taxable account
- Hypothetical values are based on lump sum payouts; taxes taken at withdrawal after 20 years (where applicable)



This is a hypothetical example that does not represent the performance of any specific investment.

DISTRIBUTIONS

All dollars from a Roth IRA can be withdrawn tax-free and penalty-free if your account has been open for at least five years after the initial contribution and at least one of the following applies:

- You are age 59 ½ or older
- Death
- Disability
- First-time home purchase (\$10,000 lifetime maximum)

In addition, you can withdraw the total amount of your Roth IRA contributions (excluding earnings) at any time tax-free and penalty-free even if you are under the age of 59 ½. This feature may prove useful to you in the future to pay for such things as college tuition or other major expenses.

DECIDING ON CONVERTING AN EXISTING IRA

In order to enjoy tax-free distributions, Traditional IRA investors may want to consider converting to a Roth IRA. Upon conversion, income tax will be due on any portion of the Traditional IRA balance that has not been taxed previously. Converting to a Roth IRA may be right for you if you expect to be in the same or higher tax bracket when you retire. In addition, you should have money separate from your IRA to pay the income taxes due upon conversion since using IRA funds would result in a 10% early withdrawal penalty if you are under age 59 ½.

Whether to convert to a Roth IRA will depend on your specific situation. Your Davenport Financial Advisor can assist you with special IRA conversion projections. These projections are based on your personal financial information and can help you compare the benefits of Roth IRAs to Traditional IRAs.

CONVERTING FROM A 529 PLAN TO A ROTH IRA

Beginning 2024, unused assets in 529 plans are permitted to be rolled to Roth IRAs for the beneficiary provided the 529 account had been established for 15 years or more.

Subject to limitations;

- The Roth IRA receiving the funds must be in the name of the same beneficiary of the 529 plan
- The 529 plan must have been established for 15 years or more
- Any new contributions to the 529 plan made within the last 5 years (plus attributable earnings on those contributions) are ineligible to be rolled
- The annual limit for how much can be moved from a 529 plan to a Roth IRA is the contribution limit for the year (\$7,000 indexed for 2024)
- The lifetime limit is \$35,000 that can be rolled from a 529 to a Roth IRA

HOW TO OPEN A ROTH IRA

Opening a Roth IRA is easy. Contact your Davenport Financial Advisor or the nearest Davenport office and we will answer your questions and assist you in reviewing your investment options. The tax-savings benefits offered by the Roth IRA could have a significant impact on your ability to accumulate assets for important life goals and a comfortable retirement. We invite you to learn more about Roth IRAs and to determine which IRA options are suitable for you.



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This brochure provides only a summary of some of the key provisions of the Roth IRA. All information provided is of a general nature and is not intended to address the circumstances of any particular individual or entity. No one should act upon such information without professional advice from his or her own tax advisor.

The information contained herein has been compiled from a variety of publicly available documents believed to be reliable and is intended to provide information of a general nature. It is not intended to address any particular circumstance. Davenport does not render tax advice or provide any record keeping or reporting for qualified retirement plans. Accordingly, you should consult with your own tax and/or legal professional.

IRAs and other retirement plans may have fees associated with them in addition to costs associated with investing the assets of the IRA or retirement plan. These fees may include, but are not limited to; annual account fees, administrative fees that may include recordkeeping of the plan, legal fees, accounting fees, termination fees, etc. Please consult with your advisor or plan sponsor to learn more about the fees associated with a particular plan.

Updated January 2024