IRA Distributions Prior to Age 59½

Distributions from a Traditional IRA or a Roth IRA prior to age 59½ are generally subject to penalty equal to 10% of the taxable distribution made. The penalty is 25% for early distributions from a Simple IRA during the first 2 years of participation. However, there are several important exceptions allowed for early distributions.

NOTE: A rollover or transfer from an IRA or other qualified retirement plan to an IRA is not considered an early distribution. When properly done, a rollover/transfer is not subject to any tax or penalty.

Distributions prior to age 59½ are not penalized under the following exceptions:

1) Distributions made to a beneficiary or the individual's estate on, or after the death of the individual.
2) Distributions attributable to the individual's disability.
3) Distributions made for unreimbursed medical expenses that are more than 10% (or 7.5% if the taxpayer or taxpayer's spouse was born before January 2, 1949) of the taxpayer's adjusted gross income.
4) Distributions made to unemployed individuals for the payment of health insurance premiums after received unemployment compensation for at least twelve weeks. The exception ceases to apply once the individual has been re-employed for sixty days.
5) Distributions made to pay "qualified higher education expenses" for the taxpayer, the taxpayer's spouse, child or grandchild.
6) Distributions that are "qualified first-time home buyer distributions".
7) Distributions that are part of a series of substantially equal periodic payments made at least annually for the life or life expectancy of the individual or the joint lives of the individual and his/her beneficiary.
8) Distributions due to an IRS levy of the qualified plan.
9) "Qualified reservist distributions" made to reserve members of the U.S. military called to active duty after Sept. 11, 2001. Reservists have the right to return funds within two years following end of active duty.

Refer to IRS Publication 590 for additional information on IRAs.

IRA One-Rollover-Per-Year Rule
Beginning as early as January 1, 2015, only one rollover from one IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs an individual owns may be made. However, IRA owners may continue to make as many trustee-to-trustee transfers between IRAs as desired. Owners can also make as many rollovers from traditional IRAs to Roth IRAs ("conversions") as desired. Refer to IRS Announcement 2014-15 for additional information.

ENHANCING YOUR SALES**

When discussing a contribution to an IRA with your client be sure to ask about older tax qualified retirement accounts the person may own. Your clients may be interested in using older, tax qualified retirement accounts to generate a source of guaranteed* income offered by up-to-date annuity products. Ask your Annuity Marketing Specialist at Insurance Network America about what products work best for lump-sum IRA rollovers.

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**Proper securities registration is required in order to make a recommendation regarding the liquidation of a securities product, including those within a 401(k) or other retirement plan. Contact your state securities department for more guidance on permitted or prohibited activities.

Information for this document has been compiled from 2014 Tax Facts on Insurance & Employee Benefits, IRS Publication 590, IRA One-Rollover-Per-Year Rule, May 14, 2014, IRS Publication IR-2014-99, Oct. 23, 2014 and IRS Publication COLA Increases for Dollar Limitations on Benefits and Contributions Oct. 24, 2014.

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	Traditional IRA	Roth IRA
Who is Eligible	Anyone with earned income who is under age 70½, or a nonworking spouse who files a joint return. Contributions are not deductible when income is above the limits shown in the Deductibility Phase-Out Table below. IRA contributions for tax year 2014 may be made until April 15, 2015.	Anyone with earned income or a non-working spouse. No age limit.

Roth IRA – Contribution Limit Phase-Out

Tax Year	Single[2]	Married Filing Jointly[3]
2014	$114,000 - $129,000	$181,000 - $191,000
2015	$116,000 - $131,000	$183,000 - $193,000

Maximum Contribution

	Traditional IRA			Roth IRA		
	Tax Year	Normal Contribution[1]	Age 50 Plus Catch-up Contribution[1]	Tax Year	Normal Contribution[1]	Age 50 Plus Catch-up Contribution[1]
	2014	$5,500	$1,000	2014	$5,500	$1,000
	2015	$5,500	$1,000	2015	$5,500	$1,000

	Traditional IRA	Roth IRA
Transfers	Transfer from another IRA can be made tax free. A direct transfer is the preferred method of transfer, meaning the taxpayer does not take actual possession of the funds being transferred. Transfer from an employer sponsored plan such as 401(k), 403(b), or 457 can usually be made. The number of trustee-to-trustee IRA Transfers is unlimited. Rollovers, in which the IRA owner has possession of the funds, are limited to only one in any 12 month period. See IRA One Rollover per year Rule elsewhere in this document.	There is no income limit for converting a Traditional IRA to a Roth IRA for tax years beginning in 2010. The full amount of conversions in 2011 or later must be reported in the year of conversion. The number of trustee-to-trustee IRA Transfers is unlimited. Rollovers, in which the IRA owner has possession of the funds, are limited to only one in any 12 month period. See IRA One Rollover per year Rule elsewhere in this document.
Distributions	All withdrawals are taxed as earned income except for non-deductible deposits. If distributed before age 59½ there is usually a 10% penalty added. *See IRA Distributions Prior to Age 59½* elsewhere in this document. Minimum distributions are required at age 70½.	*Qualified Distributions* from a Roth IRA are not taxable. *Qualified Distributions* are: ▸ Made at least 5 years from the beginning of the year in which the Roth IRA was set up, AND ▸ The holder is at least 59 ½ years old, OR ▸ The distribution is used to buy/rebuild a first home, OR ▸ The holder is disabled, OR ▸ Distribution is made to a beneficiary after the death of the holder (no 5 year rule).

Traditional IRA Deductibility Phase-Out Table

Tax Year	Single or joint taxpayer with no retirement plan at work	Single filer with a retirement plan at work	Joint filers, contributing spouse is covered by retirement plan at work	Joint filers, contributing spouse is not covered by retirement plan at work but non-contributing spouse is covered by retirement plan at work
		Deductibility phased out when MAGI[4] is:	Deductibility phased out when MAGI[4] is:	Deductibility phased out when couple's MAGI[4] is:
2014	100% Deductible	$60,000 - $70,000	$96,000 - $116,000	$181,000 - $191,000
2015	100% Deductible	$61,000 - $71,000	$98,000 - $118,000	$183,000 - $193,000

1 If taxpayer holds both Traditional and Roth IRAs, the limits shown are total combined maximum
2 Single, head of household, or married filing separately and did not live with spouse at any time during the year
3 For a married individual filing a separate return who is covered by a retirement plan at work the phase-out is $0 – $10,000
4 Modified Adjusted Gross Income

	SEP IRA	Simple IRA
Overview	Often used by business owners without employees. Designed to benefit self-employed individuals and small business owners. Sole proprietorships, S, and C corporations, partnerships and LLCs qualify. A SEP IRA may be viewed as a Traditional IRA that may accept an expanded rate of contribution from an employer. It is owned by the employee. ▸ The employer must contribute to the SEP of each qualifying employee. ▸ Contributions must not discriminate. ▸ Contribution must be determined under a written allocation formula. ▸ The employer may not restrict withdrawals or access to the plan. ▸ If the SEP is top-heavy it is subject to minimum contribution rules.	Designed for small businesses that employ 100 or fewer employees. Minimal administrative requirements: ▸ Notify employees annually by Nov. 2 of plan options ▸ Employee contributions paid to plan holder within 30 days of deduction ▸ Employer contributions paid to plan holder by tax reporting date ▸ No special plan–level tax reporting ▸ No discrimination testing required ▸ No need to track vesting
Who is Eligible?	Must include all employees who: ▸ Are 21+ years old ▸ Have been employed 3 of the last 5 years ▸ Have earned at least $600 per year	Eligible employees have earned at least $5,000 in any 2 preceding years. Employer may choose to be less restrictive.
Maximum Contribution	Must not discriminate in favor of any highly compensated employee. An employee may make contributions under the rules of Traditional IRAs. Catch-up contributions cannot be made to an SEP, however catch-up contributions can be made to an IRA that holds the SEP contribution if the SEP-IRA documents allow. Maximum contribution of 25% of compensation. The catch-up IRA contribution amount for employees age 50 and older is $1,000.	Employer must contribute either: ▸ Elective contribution match up to 3% salary, (may reduce to 1% in any 2 of a 5 year period) OR ▸ Non-elective contribution of 2% salary for all eligible employees

SEP IRA – Maximum Contribution

Tax Year	Maximum Contribution	Maximum Compensation Considered
2014	$52,000	$260,000
2015	$53,000	$265,000

Simple IRA – Maximum Contribution

Tax Year	Eligible employees can elect to contribute up to 100% of compensation to a maximum of:	Age 50+ catch up contribution limit
2014	$12,000	$2,500
2015	$12,500	$3,000

	SEP IRA	Simple IRA
Transfers	SEP IRA rollovers are no different than the rollover of a Traditional IRA. All funds belong to the IRA owner and can be rolled over into a Traditional IRA. Other qualified funds may be rolled into an SEP IRA. The number of trustee-to-trustee IRA Transfers is unlimited. Rollovers, in which the IRA owner has possession of the funds, are limited to only one in any 12 month period. See IRA One Rollover per year Rule elsewhere in this document.	Rollover SIMPLE IRA to SIMPLE IRA at any time. Rollover or Transfer to a Traditional IRA or Roth IRA may be made 2 years or more after the first deposit is made for the SIMPLE IRA. The number of trustee-to-trustee IRA Transfers is unlimited. Rollovers, in which the IRA owner has possession of the funds, are limited to only one in any 12 month period. See IRA One Rollover per year Rule elsewhere in this document.
Distri-butions	SEP IRA distributions are governed by the same rules as Traditional IRA distributions.	Distributions are treated the same as Traditional IRA except penalties are increased to 25% during the first two years of participation.