

# Four Benefits of an IRA

## Retirement Savings on Your Terms

### Where to Start

When planning for retirement, many individuals begin with an employer-sponsored plan such as a 401(k). While these plans offer valuable savings opportunities, they are not the only retirement account option available to you.

An Individual Retirement Account (IRA) provides an additional way to build long-term retirement savings. You may choose a Traditional IRA, a Roth IRA, or both depending on your financial goals. For self-employed individuals or small business owners, even more IRA options may be available to you.

Regardless of the type selected, IRAs offer meaningful tax advantages and flexibility that can strengthen your retirement strategy. Below are a few significant benefits of Traditional and Roth IRAs.



### Four Benefits of IRAs

#### 1. Accessibility and Ease of Setup

Most individuals are eligible to open and contribute to an IRA, making it one of the most accessible retirement savings accounts.

Opening an IRA is a quick and streamlined process. Accounts can be established through banks, credit unions, or brokerage firms. Most financial institutions provide user-friendly digital platforms that allow you to monitor performance, adjust contributions, and manage investments with ease. Individuals can choose to self-manage investments or choose to work alongside a financial professional.

To contribute to an IRA, you or your spouse (if filing jointly) must have earned taxable income. There is no age limit for opening or contributing to a Traditional or Roth IRA, although your ability to contribute may be reduced based on your tax filing status and the amount of your modified adjusted gross income (MAGI).

For the 2025 tax year, the combined maximum contribution limit for Traditional and Roth IRAs is \$7,000. For the 2026 tax year, the limit increases to \$7,500. Individuals age 50 and older may contribute an additional catch-up amount of \$1,000 for 2025 and \$1,100 in 2026. Contributions for the given tax year can be made until the federal tax filing deadline.

#### 2. Traditional IRAs Provide Tax Breaks Now

A Traditional IRA offers the benefit of tax-deferred growth. This means that contributions and investment earnings are not taxed annually. Instead, taxes are deferred until funds are withdrawn in retirement.

Depending on your income level and whether you or your spouse participates in an employer-sponsored retirement plan, your Traditional IRA contributions may be fully or partially tax deductible. This deduction can reduce your current taxable income, potentially lowering your tax liability in the present year.

Distributions can generally begin without penalty at age 59½. Required Minimum Distributions (RMDs) must begin at age 73 under current law. Because taxes are paid upon withdrawal, this structure may be beneficial if you expect to be in a lower tax bracket during retirement.

### 3. Roth IRAs Provide Tax Breaks in Retirement

While a Traditional IRA may provide a tax deduction today, a Roth IRA delivers its primary tax benefit in retirement.

Roth IRA contributions are made with after-tax dollars. Since taxes are paid upfront, qualified withdrawals of both contributions and earnings are tax-free in retirement. This structure can be especially advantageous for younger investors who anticipate decades of tax-free compounded growth.

Once you reach age 59½ and the account has been open for at least 5 years, withdrawals of both contributions and earnings are generally free from taxes and penalties.

Unlike Traditional IRAs, Roth IRAs are not subject to RMDs. This provides greater flexibility in retirement income planning. If flexibility is a priority, a Roth IRA might be the best choice for you.

### 4. Control Over Your Retirement Strategy

The Bureau of Labor Statistics reported that in 2025 75% of Americans had access to employer-sponsored retirement benefits, such as a 401(k). While these plans are valuable savings tools, they are employer-controlled.

As a participant in a 401(k), you are subject to the plan's rules, investment options, and administrative decisions. Employers may change plan providers, adjust investment options, or modify plan features without participant input or approval. Additionally, if you leave your job, you can no longer contribute to that specific 401(k) plan. If you want to consolidate your retirement funds, you are able to roll over funds from previous employer's 401(k) into your IRA.

On the other hand, IRAs are yours to keep. This advantage allows for IRAs to offer greater continuity and control. The account remains the same regardless if you change jobs, transition careers, or become self-employed. With an IRA of your own, you can manage your portfolio, so it aligns with your financial needs and retirement goals.

## Frequently Asked Questions

### Q: Does APCI FCU offer IRA accounts?

**A:** Yes, the Credit Union offers both **Traditional IRA and Roth IRA accounts**.

### Q: What is the difference between a Traditional and Roth IRA?

**A:** Contributions to a Traditional IRA are pre-tax dollars and could offer tax deductibility and contributions to a Roth IRA are after tax dollars and could offer tax free withdrawals.

### Q: What is a carryback contribution?

**A:** A carryback contribution is a contribution made for the previous year. These contributions must be made between January 1st and the tax filing deadline.

### Q: Can I have both a Traditional and Roth IRA?

**A:** Yes, you can have both a Traditional and Roth IRA. The maximum contribution for the year is cumulative.

## APCI Federal Credit Union & You

An Individual Retirement Account (IRA) is a good way to plan a more secure retirement by supplementing your 401(k), pension plan, and social security benefits. APCI FCU offers Traditional and Roth IRAs with no annual maintenance fees.

For further information, please call 800-821-5104 to speak with one of our Certified IRA Specialists.

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