

INDIVIDUAL RETIREMENT ACCOUNTS (IRAs)

TRADITIONAL IRA

- Generally, amounts in your traditional IRA (including earnings and gains) are not taxed until you take a distribution (withdrawal) from your IRA.
- For 2024, the annual contribution limit is \$7,000, and \$8,000 if you are age 50 and older.
- Anyone who earns taxable income in a given year can open and contribute to a traditional IRA. You cannot contribute more than you earn in a year.
- Contributions you make may be fully or partially deductible, depending on your filing status and income.
- You must take required minimum distributions starting at age 73.

ROTH IRA

- You can make contributions at any age if you have taxable compensation for the year and are below the eligibility income limits.
- If you qualify to contribute to a Roth IRA, you can enjoy a higher contribution limit in 2024. The maximum amount you can contribute to a ROTH IRA for 2024 is \$7,000 if you're younger than age 50. If you're age 50 and older, you can add an extra \$1,000 per year in "catch-up" contributions, bringing the total contribution to \$8,000.
- You can't take a tax deduction on a Roth IRA because contributions are made after-tax.
- Withdraw your money any time, without taxes or penalties, if you are over age 59 1/2 and have had a Roth account five years or more. If you don't meet this requirement, withdrawals could incur taxes and/or penalties on earnings.

CESA IRA

- Coverdell Education Savings Accounts (CESA's) are formally known as Education IRAs or Coverdell Savings.
- They are federally sponsored, tax advantaged custodial accounts that allow families to increase their investment earnings through tax deferral as long as the funds are later used for education purposes.
- CESA's can be opened for a beneficiary who is under the 18 or for someone with special needs.
- For 2023/2024 tax years, the maximum contribution to your Coverdell ESA is \$2,000 per year, per beneficiary.
- A Coverdell ESA is only available to families under certain income and age limits, therefore a 529* savings plan is more flexible in general but offers more limited options for investments.

*To learn more about 529's, you may visit our Wealth Management team at First National Bank or visit www.CollegeSavingsIowa.com.

- First National Bank offers IRA Savings Accounts for IRAs.
- There is no minimum balance, and there are no monthly maintenance fees.
- The IRA Savings has tiered interest.
- No bank fees for distributions.
- The Daily Balance Compute Method is used to calculate the interest on your account. This method applies a daily periodic rate to the principal balance in the account every day.