



Retirement Plans

–2014–

Tax and Business Update

Cape Coral Accounting Service LLC
 3501 Del Prado Blvd S Ste 212
 Cape Coral, FL 33904
 239-542-2558

IRAs

For 2014, IRA contributions allowed up to the lesser of:

- 1) \$5,500 (\$6,500 if age 50 or older) or
- 2) 100% of the individual's compensation.

Compensation includes wages, salaries, other amounts derived from or received for personal services actually rendered (including self-employment income) and alimony.

For married individuals filing a joint return, IRA contributions can be made for each spouse if the combined compensation of both spouses is at least equal to the contributed amount.

Accessing Retirement Funds Before Age 59½

Retirement plan distributions received before age 59½ are subject to a 10% penalty tax (25% for some SIMPLE IRA distributions). However, the following distributions are generally not subject to the penalty (but are subject to income tax):

- Because of disability or following death.
- From an employer retirement plan after separation from service and in or after the year the taxpayer reaches age 55.
- Made as part of a series of substantially equal periodic payments.
- To pay unreimbursed medical expenses that exceed 10% (7.5% if taxpayer or spouse is at least age 65) of adjusted gross income (AGI).
- To pay medical insurance when unemployed (IRAs only).
- To pay higher education (college) costs (IRAs only).
- To pay up to \$10,000 of first-time home expenses (IRAs only).

IRAs—Traditional vs. Roth (2014)		
	Traditional	Roth
Contributions:		
Limit, under age 50	\$ 5,500	\$ 5,500
Limit, age 50 or older	\$ 6,500	\$ 6,500
Deductible	Yes, but may be limited if taxpayer (or spouse) covered by employer retirement plan.	No
Income (AGI) limits:	No limit on nondeductible contributions. Limits on deductible contributions only apply if covered by an employer plan, as follows:	Yes
Married filing joint (participating spouse)	\$ 96,000 – 116,000	\$181,000 – 191,000
Married filing joint (non-participating spouse)	181,000 – 191,000	181,000 – 191,000
Single, Head of Household	60,000 – 70,000	114,000 – 129,000
Maximum age	70½	No age limit.
Distributions:		
Taxation	All ordinary income (unless nondeductible contributions made).	Nontaxable if qualified distribution.
Year distributions must begin	Year after taxpayer reaches age 70½	Not required until account owner dies.
10% penalty for taxable distributions before age 59½	Yes, subject to certain exceptions.	Yes, subject to certain exceptions.

