



Fee-Only Financial and Investment Planning
 (888) 320-9993



On Course

March 26, 2019

Volume 19, #3

Welcome! IRAs (individual retirement accounts) offer a great way to save for retirement beyond your 401(k)s. While it's a complicated subject, we're giving you a primer to help you understand what the differences are and how to think about and use IRAs in different situations.

You may have missed our recent series on retirement. For Retirement, Part 1 - Retirement Savings, click [here](#). For Retirement, Part 2 - Social Security, click [here](#). For Retirement, Part 3 - The Retirement Paycheck, click [here](#).

Take advantage of saving for retirement with IRAs! If you need assistance, we are here to help you stay *On Course!*

Jennifer Lane, CFP

In This Issue

[IRAs](#)

[Question & Answer](#)

[Jennifer in the Media](#)



Be careful when contributing to, moving, or making withdrawals from your IRA accounts. Tax penalties can be steep if you make a mistake. Get advice in writing from your accountant, CPA, or financial planner.

Get more tips in Jennifer's book

Roth vs. Traditional IRAs

IRA overview

- **Traditional IRA:** When you contribute, you may receive a tax deduction but will owe income tax on your contributions and investment earnings when you withdraw the money later in life.
- **Roth IRA:** You do not receive a tax deduction for the contributions but will withdraw from your account income tax free later on.

Choosing an IRA

- You must meet income limits to be eligible to contribute to a Roth IRA.

- If you think you will face a higher tax rate when you withdraw your money from these accounts later in life, you are better off doing a Roth IRA contribution if you are eligible.
- Predicting future tax rates is next to impossible, so you have to go with the best assumptions you have today.

Contribution limits and deadlines

- In 2019 the limit is \$6,000, and you have until April 15, 2020 to make a 2019 contribution.
- An additional \$1,000 contribution is allowed if you are 50 or over.
- If you haven't made a 2018 contribution, you have until April 15, 2019 to make one!

Should your kids put money into a traditional or Roth IRA?

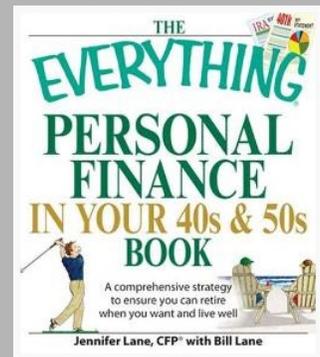
- If your son or daughter has earned income from a job (not allowance), it would be wise to put that money away.
- Typically, for kids, a Roth IRA makes the most sense.
- If they are under the income limit (\$122,000 modified AGI in 2019), they are eligible for a Roth IRA contribution. (If they are over the limit, then they owe you rent!)
- Contribute 100 percent of earned income or \$6,000, whichever is less for 2019.
- Use this opportunity to teach your kids about saving money! The sooner you start putting money away, the more time it will have to grow!

First job and an IRA

- You have a big, full time job with, hopefully, a fleet of benefits, including an employer-sponsored retirement plan, i.e., 401(k) or 403(b).
- Make your best effort to get the full employer match if offered. Think of it as free money!
- Any extra money? Then consider making a traditional or Roth IRA contribution -- or more into the 401(k).

Working hard and maxing 401(k) . . . with more money to save

- The ideal situation is to be in a place where you and your spouse are both maxing out your 401(k) or 403(b) with additional money to save.
- Depending on cash flow and short-term goals, you can put the extra savings into a traditional or Roth IRA.
- When you reach this point in life, it is crucial to maximize savings in the right places, which requires more sophisticated planning. You might consider non-deductible traditional IRA contributions or back-door Roth IRA contributions.
- Work with your financial planner to hone in on where to direct your savings!



([click here for link](#))

Helpful Websites

[IRA Contribution Limits](#)

[Roth IRA Contribution Limits](#)



Q. I'm overwhelmed by the number of options and exceptions involved with individual retirement accounts. What should I do?

-- Josephine, Everett

A: Josephine, you should speak with an independent financial planner who specializes in helping people choose investment for themselves, rather than an advisor who sells or manages investments. Check www.napfa.org or www.letsmakeaplan.org for a fee-only advisor in your area.

Jennifer in the Media

Below are links to Jennifer's frequent contributions to financial planning articles.

- The ***New York Times*** featured Jennifer in an article titled, "**Balanced Funds Don't Inspire Fear or Greed. That's Why They Are So Useful.**" Click [here](#) to read the article.
- With a contrarian view, Jennifer contributed to an article, "**People are enraged by the idea that you should have twice your salary saved by the time you're 35!**" published recently by ***Business Insider***. Click [here](#) to read the article.
- Moving in together? Click [here](#) for the article from ***Business Insider***, "**Five questions you and your partner should answer before taking the biggest step in your relationship.**"
- ***Insider*** asked Jennifer to contribute to an article on old fashioned ways to manage your money, "**Six money-saving tips your grandma used that are way more effective than any budgeting app.**" Click [here](#) for the article.
- Jennifer contributed to an article on ***Business Insider***. Click [here](#) to read "**This is the best way to do your taxes online - according to experts.**"
- ***CNN Money's Money Moves*** featured Jennifer in an article on how to strike the right balance between retiring early and saving enough. Click [here](#) to read the article.
- Jennifer contributed to a ***CNN Money*** article "**When is the Right Time to See a Financial Advisor?**" Click [here](#) to read the article.
- Jennifer contributed to ***The Wall Street Journal*** article "**The Biggest Money Mistakes We Make -- Decade by Decade.**" Click [here](#) to read the article.

Compass Planning News

- Jennifer and Sarah were both named **2019 Boston Five Star Wealth Managers**.
- AdvisoryHQ named **Compass Planning** as one of the ten best Boston financial advisors.
- Jennifer recently answered NECN viewer questions about **529 College Savings Plans**. Click [here](#) to watch the segment on her blog.
- Jennifer appears on NECN every other Monday morning at 9:30 am in addition to her Tuesday 7:30 pm appearance.

Compass Planning Associates helps families, individuals, and small-business clients achieve financial security, knowledge, and control over their money. Our **fee-only, client-centered approach** provides education and guidance for achieving financial goals and dreams.

All contents of this newsletter Copyright 2019 Compass Planning