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Contribution figures have changed substantially since the time this article was posted. Before taking any specific action, consult your qualified securities or tax representative.

Cutting through Roth IRA confusion

Confused about whether you can contribute to a Roth IRA? The IRS suggests following these guidelines:

Income: To contribute to a Roth IRA, you must have earned income, such as wages, salary, tips, professional fees or bonuses. Your modified adjusted gross income must be less than:

- \$160,000 if married filing jointly.
- \$10,000 if married filing separately and you lived with your spouse at any time during the year.
- \$110,000 if single and the head of a household or married filing separately and you did not live with your spouse during the year.

Age: There is no age limit for Roth IRA contributions.

Contribution limits: In general, if your only IRA is a Roth IRA, the 2004 contribution limit is your taxable compensation of \$3,000 (\$3,500 for those age 50 or over), whichever is less. For 2005, that increases to \$4,000 (\$4,500 if 50 or older in 2005). The contribution limit phases out if your modified adjusted gross income is:

- \$150,000 - \$160,000 if married filing jointly.
- Up to \$10,000 if married filing separately and you lived with your spouse at any time during the year.
- \$95,000 - \$110,000 if single and the head of a household or married filing separately and you did not live with your spouse.

Contributions to spousal Roth IRA: You can make contributions to a Roth IRA for your spouse if you meet the income requirements.

When to make contributions: Any time during the year or by the due date of your return for that year, excluding extensions. Roth IRA contributions are not tax-deductible and are not reported on your tax return. But you do not include in your gross income, and therefore are not taxed on, any qualified distributions or distributions that are a return of your regular Roth IRA contributions or that are rolled over into another Roth IRA.

To qualify for the tax free penalty free withdrawal of earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59 ½ or due to death, disability, or a first time home purchase (up to \$10,000 lifetime maximum).

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ONLINE: Internal Revenue Service, www.irs.gov

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