

Retired, but still working? Roth IRA is option for protecting nest egg Part-time paychecks can still yield investments for the future

Please feel free to send your questions via postal mail by addressing to: Prime Time Editor, Reminder Publications, 280 No. Main St., East Longmeadow, MA. 01028 or via email to dgardner@thereminder.com Due to mail volume we will only be able to respond to questions via this column and not provide you an individual response. This column is intended to respond to general questions. Your specific situation may also warrant consulting directly with a tax, financial or legal professional.

Q - I am 75 years old this month and still working part-time. My wife is 72 years old and doesn't work. My wife and I each have a pension, social security and I make about \$10,000 a year at this job working 3 mornings per week. I really don't need the money but like working because it gives me something to do and I meet so many nice people. The company has a retirement plan for full-time workers. Is there any type of retirement account that I can have where I can save this money for my later

years or for my spouse?
Thank you.

A. D., West Springfield, MA.

A - An option for you could be a Roth IRA. Traditional IRA's (whether deductible or non-deductible) are not allowed for persons over age 70 1/2. A Roth IRA would allow you to contribute up to \$3,500 of your income since you are over age 50. (\$3,000 for those under age 50). These contribution levels will go up so that in 2008 you'll be able to contribute \$6,000, as long as you have that much in earned income. This income must be earned from work whereby you receive a W-2 or 1099 form. Income can not be from investments in stocks, bonds, mutual funds or CD's. Eligibility for a Roth IRA phases



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out for taxpayers with higher incomes. Eligibility begins phasing out for single taxpayers with adjusted gross income (AGI) of \$95,000, phasing out completely when AGI reaches \$110,000. For married taxpayers, filing jointly, the phase out begins with AGI of \$150,000 and is completely phased out when AGI reaches \$160,000.

Unlike a traditional deductible IRA, you cannot deduct your contributions to a Roth IRA.

However, unlike the traditional IRA, qualified distributions from Roth IRA's aren't included in a taxpayer's gross income. Funds accumulating in a Roth IRA are also tax deferred. So, you don't pay taxes while funds are accumulating and when you do need to distribute the money, you aren't worried about how much this will cost you in taxes. In order to make a tax-free withdrawal (after age 59 1/2) a distribution must be made after a five-year holding period. That is, you can't make a withdrawal until five years from the first

tax year you make a contribution to your Roth IRA. State laws regarding these withdrawals differ. Although qualified Roth IRA withdrawals are federal income tax free, state and/or local taxes may apply. There are no requirements to take a distribution from a Roth IRA after you reach a certain age and they can be inherited by your spouse or other beneficiary which you name. If you're looking for a retirement savings vehicle with some distinct tax advantages, the Roth IRA could be right for you.

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