BMO Harris Financial Advisors

The Tax-Advantaged Power of an IRA

Individual Retirement Accounts (IRAs) offer many retirement benefits. Your BMO Harris Financial Advisor can help you understand the features and benefits of IRAs, but here's an IRA primer to get you started.

IRA basics

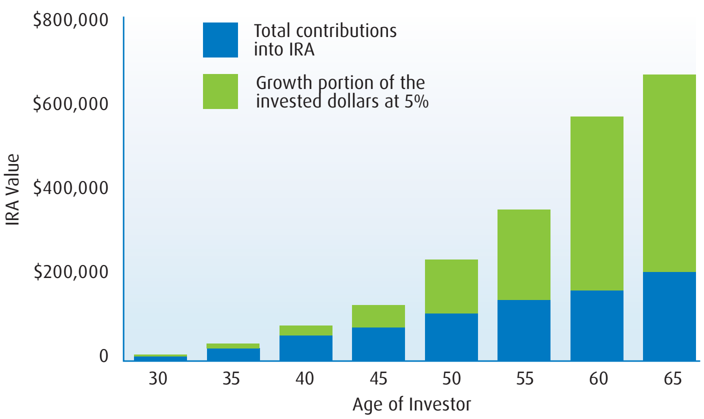
What makes IRAs so special?
The simple answer is tax-advantaged saving and investing. IRAs allow you to set money aside every year toward retirement, with valuable tax advantages that include:

- **Tax deduction.** Your investment in a Traditional IRA may be deductible from federally taxable income. Traditional IRAs can save you tax dollars right away.
- **Tax deferral.** Even if you aren't eligible to deduct your contributions, with Traditional IRAs, you don't pay taxes on the growth of your investment until you withdraw the money.

Please see page 4 ("IRA Summary") for more information regarding these tax advantages.

Starting early and maximizing annual contributions can enhance the compounding growth of your IRA.

Potential growth of an IRA
From age 30–65



Assuming annual IRA contributions of $5,500 ($6,500 beginning at age 50) beginning at age 30, and continuing until reaching age 65. Information obtained from sources known to be reliable. Provided for informational purposes only.

Three common IRAs

The types of IRAs available to you depend on income and whether you or your spouse participate in an employer-sponsored retirement plan.

Traditional IRAs—non-deductible
Anyone below the age of 70½ who has earned income (or whose spouse does) may make non-deductible contributions to a Traditional IRA and enjoy the benefits of tax-deferral.

Traditional IRAs—deductible
Eligible individuals must be below the age of 70½ and have earned income in the year they wish to take the distribution. If you (and, if applicable, your spouse) do not participate in an employer-based retirement plan, you may deduct your Traditional IRA contributions, regardless of income level.

Roth IRAs
Single Individuals with modified adjusted gross income less than $129,000 (tax year 2014)/$131,000 (tax year 2015) and those who are married (filing jointly) with combined modified adjusted gross incomes less than $191,000 (tax year 2014)/$193,000 (tax year 2015) may make contributions to a Roth IRA. Retirement plan participation is not a consideration.

Using your IRA

Taking distributions
After years of accumulating money in your IRA, there will come a time when you want to use the money to enjoy your retirement years. It's exciting to reach the goal you've worked toward—but note that some guidelines do apply as to how you take distributions (withdrawals) from your IRA.

- Once you reach age 59½, you can begin to take penalty-free IRA distributions. With Traditional IRAs, your distributions will be taxed as normal income. Because many people fall into lower tax brackets in retirement, your tax bill may be lower than it would have been during your working years. Roth IRA distributions are not subject to federal income tax. For Roth IRAs, the account must have been open for five years.
- After you reach age 70½, you must begin taking distributions from your Traditional IRA, but there is no such requirement for Roth IRA owners.
- Required Minimum Distributions (RMDs) for Traditional IRAs can be complex, and penalties apply if you don't take the correct distribution amounts. For these reasons, many people choose to work with an Advisor when planning IRA distributions.

Please see page 4 ("IRA Summary") for more information regarding these tax advantages.

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Traditional IRA deductibility based upon your adjusted gross income (AGI)

Filing status	Modified AGI		Deduction
If you are NOT covered by a retirement plan at work:	**Tax Year 2014**	**Tax Year 2015**	
Single, head of household, or qualifying widow(er)	Any amount	Any amount	A full deduction up to the amount of your contribution limit
Married filing jointly or separately with a spouse who is not covered by a plan at work	Any amount	Any amount	A full deduction up to the amount of your contribution limit
Married filing jointly with a spouse who is covered by a plan at work	$181,000 or less	$183,000 or less	A full deduction up to the amount of your contribution limit
	More than $181,000 but less than $191,000	More than $183,000 but less than $193,000	A partial deduction
	$183,000 or more	$193,000 or more	No deduction
Married filing separately with a spouse who is covered by a plan at work	Less than $10,000	Less than $10,000	A partial deduction
	$10,000 or more	$10,000 or more	No deduction
If you are single and participate in a plan or if you're married and either you or your spouse are covered by a plan:	**Tax Year 2015**	**Tax Year 2014**	
Single or head of household	$60,000 or less	$61,000 or less	A full deduction up to the amount of your contribution limit
	More than $60,000 but less than $70,000	More than $61,000 but less than $71,000	A partial deduction
	$70,000 or more	$71,000 or more	No deduction
Married filing jointly or qualifying widow(er)	$96,000 or less	$98,000 or less	A full deduction up to the amount of your contribution limit
	More than $96,000 but less than $116,000	More than $98,000 but less than $118,000	A partial deduction
	$116,000 or more	$118,000 or more	No deduction
Married filing separately	Less than $10,000	Less than $10,000	A partial deduction
	$10,000 or more	$10,000 or more	No deduction

Consult your tax professional for additional guidelines applicable to nonworking spouses.
Source: www.IRS.gov Information obtained from sources known to be reliable. Provided for informational purposes only.

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IRA myths

Even though IRAs have been around for some time, misconceptions about them still abound. Here's some help separating fact from fiction.

Myth #1: IRAs are only for people who don't have an employer-sponsored retirement plan. While your participation in a workplace retirement plan may affect the deductibility of your Traditional IRA contributions, it doesn't affect your need to save as much as you can toward retirement. People are living longer and enjoying more active retirements. That's good news, but it does mean that you're likely to need more money to keep you comfortable throughout your retirement years.

Myth #2: IRAs aren't worthwhile if you can't deduct your contributions. We all enjoy a tax deduction when available, but that's not the only attraction IRAs have to offer. Roth IRAs offer you tax-free qualified withdrawals—something that can be of great value when the time comes to withdraw your money. The tax-deferred growth of Traditional IRAs can also make a real difference in the amount of cash you'll have to use in retirement.

Please see page 4 ("IRA Summary") for more information regarding these tax advantages.

Myth #3: You have to act by December 31. Actually, you have until the normal deadline for filing your federal income taxes to make your IRA contribution for the previous year. This is helpful because you may not be sure which type of IRA you qualify for until you've completed all of your tax paperwork.

Myth #4: IRA limits are too low to make much of a difference in retirement savings. For tax years 2014 and 2015, the maximum contribution is $5,500—and those age 50 or older can contribute $1,000 more. Contributions of just about any size, given time to compound, can make a difference. The IRA value graph on the previous page illustrates how consistently taking advantage of higher IRA contribution limits can make a difference in the amount you can build toward retirement.

Myth #5: A spouse who stays at home can only put a small amount into an IRA. A spouse who doesn't work outside the home is eligible to make a full IRA contribution each year, as long as his or her spouse has enough earned income to qualify for the contribution. This provision is especially valuable since stay-at-home spouses don't have the benefit of an employer-sponsored retirement plan.

Myth #6: You can't convert your Traditional IRA into a Roth IRA. Yes, you can. You'll owe tax on the amount you convert (less any contributions that weren't tax deductible).

IRAs at a glance

Don't overlook the benefits IRAs have to offer. Here's a checklist you can use to take action:

- **Determine what types of IRAs you may qualify fo**r—Traditional IRA (deductible or non-deductible) or Roth IRA.
- **See how much you can contribute**—$5,500 for tax years 2014 and 2015, and another $1,000 if you are 50 or older.
- **Find the right savings and investment products** and services for your IRA. Your Advisor can help explain the choices available to you.
- **Make your contribution by April 15** of the following year.
- **Plan your annual contributions early.** The sooner you invest, the longer your money has to compound and work for you.

Your BMO Harris Financial Advisor has the knowledge, tools and expertise to help design an investment strategy in line with your goals, timeframe and risk tolerance.

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IRA summary—which is right for you?

	Traditional—non-deductible	Traditional—deductible	Roth
Who's eligible?	Individuals age 70½ and younger with earned income.	Individuals age 70½ and younger with earned income. Also, must either not be an active participant in an employer-sponsored retirement plan, or may be in a plan as long as income falls below certain limits.	Individuals of any age, however your modified adjusted gross income must be less than $129,000 (tax year 2014)/$131,000 (tax year 2015) and if you're married (filing jointly) with combined modified adjusted gross incomes must be less than $191,000 (tax year 2014)/$193,000 (tax year 2015), or $10,000 (filing separately).
What are the contribution limits?	$5,500 (tax years 2014 and 2015). That's increased another $1,000 if age 50 or older.	$5,500 (tax years 2014 and 2015). That's increased another $1,000 if age 50 or older.	$5,500 (tax years 2014 and 2015). That's increased another $1,000 if age 50 or older.
What are the tax benefits?	Contributions grow tax-deferred until the money is withdrawn.	Contributions may be deductible from current year taxable income (depending upon your income and participation in an employer retirement plan) and grow tax-deferred.	Money grows tax-free.
What penalties apply to other early withdrawals?	10% federal tax penalty usually applies to the taxable portions of withdrawals taken before age 59½ that do not meet the criteria listed below.	10% federal tax penalty usually applies to withdrawals taken before age 59½ that do not meet the criteria listed below.	10% federal tax penalty usually applies to investment earnings withdrawn before age 59½ that do not meet the criteria listed below.
Are early withdrawals permitted?	There are exceptions to this 10% additional tax for early distributions: • Made to a beneficiary or estate on account of the IRA owner's death • Made on account of disability • Made as part of a series of substantially equal periodic payments for your life (or life expectancy) or the joint lives (or joint life expectancies) of you and your designated beneficiary • Qualified first-time homebuyer distributions • Not in excess of your qualified higher education expenses • Not in excess of certain medical insurance premiums paid while unemployed • Not in excess of your unreimbursed medical expenses that are more than a certain percentage of your adjusted gross income • Due to an IRS levy, or • A qualified reservist distribution Income tax applies to the portion which is deemed to be a distribution of earnings.	There are exceptions to this 10% additional tax for early distributions: • Made to a beneficiary or estate on account of the IRA owner's death • Made on account of disability • Made as part of a series of substantially equal periodic payments for your life (or life expectancy) or the joint lives (or joint life expectancies) of you and your designated beneficiary • Qualified first-time homebuyer distributions • Not in excess of your qualified higher education expenses • Not in excess of certain medical insurance premiums paid while unemployed • Not in excess of your unreimbursed medical expenses that are more than a certain percentage of your adjusted gross income • Due to an IRS levy, or • A qualified reservist distribution Income tax applies to entire distribution.	After account is open five years, there are exceptions to this 10% additional tax for early distributions: • Made to a beneficiary or estate on account of the IRA owner's death • Made on account of disability • Made as part of a series of substantially equal periodic payments for your life (or life expectancy) or the joint lives (or joint life expectancies) of you and your designated beneficiary • Qualified first-time homebuyer distributions • Not in excess of your qualified higher education expenses • Not in excess of certain medical insurance premiums paid while unemployed • Not in excess of your unreimbursed medical expenses that are more than a certain percentage of your adjusted gross income • Due to an IRS levy, or • A qualified reservist distribution Original contributions may be withdrawn tax- and penalty-free.
Are there required withdrawals?	Yes, must begin by age 70½ and follow a schedule of Required Minimum Distributions (RMDs) each year.	Yes, must begin by age 70½ and follow a schedule of Required Minimum Distributions (RMDs) each year.	No, distributions only required after death of IRA owner.

Source: www.IRS.gov. Information obtained from sources known to be reliable. Provided for informational purposes only.