



**FINANCIAL SERVICES
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IRA FAQs

Q: Who is eligible to contribute to a traditional or Roth IRA?

A: To open a traditional IRA or contribute to an existing one, you must be under age 70½, have earned income in at least the amount of your contribution and meet other eligibility requirements. Roth IRAs have no age limit, but do have adjusted gross income eligibility restrictions.

Q: How much can I contribute?

A: Generally, the maximum contribution to a traditional or Roth IRA is \$5,000 for tax year 2008. However, people over age 50 are allowed a “catch-up” contribution of \$1,000, bringing their total to \$6,000.

Q: When must I start taking payments from an IRA?

A: You must begin receiving income from a traditional IRA when you reach age 70½. In fact, the IRS specifies a minimum distribution you must take annually, or pay a stiff penalty on the money you should have withdrawn. Roth IRAs are different, however. You can generally leave your Roth assets to grow income tax free indefinitely and then pass them to your beneficiaries intact.

However, if you have an annuity-funded Roth IRA, because annuities generally endow (or become payable) at age 90, you must begin drawing income from this type of Roth IRA at age 90. Note, however, that endowment rules vary from state to state.

Q: How are IRA payments taxed?

A: You will owe regular income tax on payments from traditional IRAs. Payments from Roth IRAs are tax free, as long as you own the Roth IRA for at least five years. And, unless you met certain requirements, a 10% premature distribution penalty tax may apply to nonannuitized withdrawals before age 59½.

Q: If I'm transferring money to an IRA, should I have the check mailed directly to me?

A: No. When arranging for money to be transferred to an IRA — whether it's from a prior employer's plan or another IRA — don't have the check mailed directly to you. If you do, the money could be subject to the 20% mandatory withholding tax. Have the money transferred directly to the investment company that will be managing your IRA.

Q: Do I need to keep an eye on my IRA?

A: To get the most from your IRA, take the following steps:

- Check your asset allocation and ask yourself if it is still appropriate for your age, health and financial circumstances. If not, an allocation change may be in order.
- Periodically review fund performance.
- Rebalance your holdings once a year, if necessary.
- Make sure your beneficiary designations are up to date. IRAs offer special tax treatment for beneficiaries, making them excellent for estate and income planning. Even if your designated beneficiaries remain the same, you may need to update their information, such as when a son or daughter marries, for example. Also, remember to name a contingent beneficiary in case your primary beneficiary dies.

Q: Can I give a Roth IRA as a gift?

A: Yes, if the person has earned income in at least the amount of your contributions. Your grandchildren may qualify if they have earned income. You can set up a custodial Roth IRA for a young person (son, daughter, niece, nephew, grandchild, etc.) as long as the young person has earned income. This income can come from babysitting, delivering groceries, a newspaper route, etc.

As the custodian, you can contribute to the Roth IRA account, on behalf of the youngster, amounts equal to but not exceeding his/her annual earned income (a maximum of \$5,000 in 2008).

To learn more about retirement planning and other TIAA-CREF financial services, visit us at www.tiaa-cref.org, [schedule an appointment online](#), or call a consultant at **800 842-2776**.

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