The elements of success.

Traditional IRA vs Roth IRA—which is best for me?

While it may seem like a very easy decision, there are many factors to consider before choosing which type of IRA is your best alternative. The summary below provides some of the differences between a traditional IRA and a Roth IRA, their eligibility requirement and other factors to consider when choosing the right account.

Contribution limits. The contribution limits for the Roth and traditional IRA are the same. For tax year 2014, you could contribute up to $5,500 to your IRA, plus an additional $1,000 catch-up contribution if you're 50 or older.

Deductibility. For some U.S taxpayers, being able to deduct traditional IRA contributions is the deciding factor in choosing between a Roth or traditional IRA. However, deductibility is not the only consideration and your eligibility to deduct your contribution depends on whether you meet certain requirements. Contributions to Roth IRA's are not deductible.

Contribution age limits. If you would like to contribute to your IRA for as long as you have earned income, you should consider the age limits placed on IRA contributions. When you reach age 70 1/2 you no longer contribute to a traditional IRA. There is no age limit for Roth IRA's.

Income limitations. Your income dictates your eligibility to contribute to a Roth IRA. If your income exceeds a certain limit, you may not contribute to a Roth IRA. In addition, your Roth IRA contribution limit may be lowered if your income falls within certain ranges. Income caps do not apply to traditional IRA contributions but may affect their deductibility.

Required minimum distributions. If you don't want to be required to take distributions from your IRA, you need to consider the rules for Required Minimum Distributions (RMD). With a traditional IRA, you must begin taking an RMD by April 1 of the year following the year you reach age 70 1/2. This means that you must gradually reduce your account balance and add the distributed amount to your income, even if you do not need the funds. Roth IRA owners are not subject to the RMD rules.

Tax treatment of distributions. Generally, distributions from a traditional IRA are treated as ordinary income and may be subject to income taxes. Furthermore, the distributed amount may be subject to a 10% early-distribution penalty if you are under the age of 59 1/2.

Qualified Roth IRA distributions are tax and penalty free. Roth IRA distributions are considered qualified if they meet the following two requirements:

- The distributions are taken no earlier than five calendar years after you fund your first Roth IRA.
- The distribution is taken as a result of any of the following:
    - You have reached age 59 1/2;
    - You are disabled;
    - Your beneficiary receives the benefit upon your death;
    - The amount is used to purchase a first home (subject to a lifetime limit of $10,000).

As a general rule, the Roth IRA is the better choice if you expect your tax rate to be the same or higher in retirement, because, it allows you to pay taxes today and receive tax-free distributions when you retire. If your tax rate will be lower during retirement, then the traditional IRA may be the better option if you're eligible to receive a tax deduction now when your tax rate is higher.

Finally, if you're eligible to contribute to both types of IRA's, it might make sense to divide your contributions between a Roth and traditional IRA. However, your total contribution to both IRA accounts cannot exceed the limit for that tax year (including the catch up provision).

It might make sense to divide your contributions between a Roth IRA and a Traditional IRA.

Like many financial decisions, the choice between a Roth and traditional IRA is not as simple as it may seem. The important decision is to invest as early as possible to enjoy the long-term benefits. Working with an H&H financial planner or a qualified tax professional can help ensure you select the IRA option that is best suited for your specific situation.

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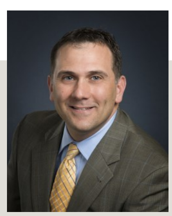

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Jonathan brings nearly two decades of experience in the investment industry to his role with Hooker & Holcombe Investment Advisors, Inc. (HHIA). His focus is to work closely with each client to identify and set goals and objectives, develop custom strategies, and implement specific plans. He also advises institutional clients on their retirement plans. His clients rely on his expertise for wealth planning, asset allocation and portfolio management.

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Katerina has an extensive background in retirement planning and assists with all aspects of the Financial Planning process and Asset Allocation Analysis for individual wealth management clients. Katerina takes great pride in helping families through retirement, education, investment and estate planning. She also conducts educational seminars to help clients understand the retirement options available to them and how to utilize those options to suit their individual financial situation and achieve their financial objectives.

Katerina is a Certified Financial Planner™ professional.