

IRA Selector

Individual Retirement Accounts (IRAs) should be an essential part of any investor's retirement and wealth management strategy. IRAs offer many benefits, including a broad selection of investment choices and tax advantages.

There are several types of IRAs with different features and benefits. The chart below highlights key features and which IRA may be appropriate for different investor situations. Your advisor can work with you to help choose an IRA to meet your needs. You should keep in mind that investing involves risk, including the loss of principal. The value of your investment in an IRA will fluctuate over time, and you may gain or lose money.

Type of IRA	Key Information	Investors Who May Benefit Most
Traditional IRA	<ul style="list-style-type: none"> Individuals must be under age 70½ and have earned income. Contributions may be federally tax-deductible up to \$5,500 for 2016 and 2017, depending on age, income and employer plan participation. Earnings grow tax-deferred until withdrawn (required minimum distributions (RMDs) begin at age 70½). \$1,000 catch-up contributions for each year are available for individuals age 50 and older. A 10% early withdrawal penalty may apply for individuals under age 59½. Typically offers more investment choices than employer plans. 	<ul style="list-style-type: none"> Those who are looking for tax-deferred retirement savings beyond employer-sponsored plans. Those who are not eligible to contribute to Roth IRAs or anticipate having lower income in retirement.
Roth IRA	<ul style="list-style-type: none"> No age requirement, but you must have earned income. After-tax contributions up to \$5,500 for 2016 and 2017, if modified adjusted gross income (MAGI) does not exceed limitations. Federal tax-free withdrawals if requirements are met—generally, distributions are considered qualified if the individual is age 59½ or older and the account has been open and funded for at least five years. Additional exceptions may meet the qualification requirements. \$1,000 catch-up contributions per year are available for those age 50 and older. Typically offers more investment choices than employer plans. 	<ul style="list-style-type: none"> Those who are looking for tax-free income in retirement. Those who want to leave income-tax-free IRA assets to their beneficiaries.
Rollover IRA	<ul style="list-style-type: none"> A Traditional or Roth IRA funded with a distribution from a former employer 401(k), 403(b) or other plan.¹ See Traditional and Roth IRA Key Information sections for tax advantages. Typically offers more investment choices than employer plans. See the "Rollover Decision Considerations" chart on page.² 	<ul style="list-style-type: none"> Those who want to consolidate distributions from 401(k)s and other types of qualified plans from former employers. Those who want broader investment options than those offered by former employer plans.

¹ If you are rolling over from a Roth 401(k) or Roth 403(b) to a Roth IRA, there is no federal tax liability. However, if you roll over directly from a Traditional 401(k) or other employer plan to a Roth IRA, you will owe federal income tax on all pre-tax contributions and earnings in the year of the conversion. State income tax consequences may apply. Please consult your tax advisor regarding your individual circumstances.

Rollover Decision Considerations

There are many considerations in rolling assets from your former employer's plan to an IRA. Below are some of the areas of comparison to talk through with your advisor as you explore the option of rolling over or consolidating retirement assets to an IRA. Every individual's situation is different, so make sure you have a conversation to review all your options.

Considerations	Qualified Employer-Sponsored Plan (e.g., 401(k), 403(b)(7) or Pension Plan)	IRA
Investment Options	May have limited investment menu, but may also have lower fees and expenses or proprietary investments (e.g., employer stock).	Broad range of investment options, including mutual funds, exchange-traded funds (ETFs), equities, fixed income and alternative investments.
Fees and Expenses	Varies by plan and service provider, but generally includes investment management and advisory fees. Plan administrative fees (e.g., record keeping, compliance, trustee fees) may also apply.	Costs vary based on services you choose and may include investment management and advisory fees, commission and sales charges, and IRA account fees (e.g., brokerage fees, maintenance and termination fees).
Services	Varies by plan and generally includes investment advice, planning tools, educational support and other services.	Varies based on services you choose and may include investment advice, planning tools, educational support and other support.
Penalty-Free Withdrawals	May begin at age 55 if you are retired or separated from service. Please note: Check your plan provisions for your options.	Generally begins at age 59½ for Traditional IRAs. Qualified Roth distributions may be income tax-free.*
Protection from Creditors and Legal Judgments	Typically unlimited under federal law.	Federal bankruptcy protection for rollover IRA balances and up to an inflation-adjusted \$1 million for other IRA assets. Non-bankruptcy protection varies by state laws.*
Required Minimum Distributions (RMD)	Not generally required to begin until you retire and have reached age 70½. RMD rules apply to plan balances, including designated Roth accounts.	For Traditional IRAs, RMDs must begin at age 70½. For Roth IRAs, lifetime RMDs do not apply.
Employer Stock	If available, you may take advantage of Net Unrealized Appreciation (NUA) rules.*	Employer stock may or may not be eligible to be rolled over. If rolled over, you lose opportunity for NUA.
Consolidation	May roll other eligible retirement assets into plan if allowed by plan.	Available.
Beneficiary Flexibility	Limitations may exist for non-spouse beneficiaries.*	Typically allow the naming of any person, group or entity subject to custodian or trustee review and plan document rules.
Contributions	Not permissible if no longer employed by employer.	Subject to IRA rules, including age and earned income requirements.*
Loans	May be available at the discretion of employer or plan provisions.	Not permitted.
Distribution Withholding Instructions	Automatic cash-out provisions may apply for small balances. Distributions taken in cash are generally subject to mandatory 20% federal withholding.*	No automatic cash-out rules. Federal withholding on distributions is optional.*
Qualified Charitable Distributions	NA	Individuals age 70½ or older may exclude up to \$100,000 in qualified charitable distributions from gross income.

*Please speak with your tax professional regarding your specific situation.

Although Pershing LLC may serve as the non-bank custodian for IRAs, the accounts described in this fact sheet are offered to you by your financial organization, not directly by Pershing LLC. Pershing LLC does not provide tax or legal advice. You should consult with your tax or legal advisor about your individual circumstances before establishing or contributing to a retirement plan. ©2017 Pershing LLC. Pershing LLC, member FINRA, NYSE, SIPC, is a wholly owned subsidiary of The Bank of New York Mellon Corporation (BNY Mellon). Trademark(s) belong to their respective owners. For professional use only. Not for distribution to the public.