

An IRA Comparison

Features	Traditional IRA	Roth IRA	Coverdell ESA (Education Savings Account)				
Year	2004-2005	2004-2005	2004-2005				
Annual Contribution	\$3,000 per person (\$3,500 if 50 or older)	\$3,000 per person (\$3,500 if 50 or older)	\$2,000 per student				
AGI Phase out*	<table style="border: none;"> <tr> <td style="border: none;">\$45-55,000-single</td> <td style="border: none;">} 2004 income plus:</td> </tr> <tr> <td style="border: none;">\$65-75,000-married</td> <td style="border: none;">\$5,000 for 2005</td> </tr> </table>	\$45-55,000-single	} 2004 income plus:	\$65-75,000-married	\$5,000 for 2005	\$95-110,000-single; \$150-160,000-married	\$95-110,000-single; \$190-220,000-married
\$45-55,000-single	} 2004 income plus:						
\$65-75,000-married	\$5,000 for 2005						
Contribution Deductibility	Yes	No	No				
Contribution Deadline	April 15th following year	April 15th following year	April 15th the following year				
Contributions Timing	Must cease at 70½	Can contribute indefinitely	Cease if student age 30				
Earnings	Grow tax deferred	Grow tax free if held five years	Grow tax free				
Withdrawals	Taxed as ordinary income if over 59½	Tax free if over 5 years and 59½	Tax free if for education				
Withdrawal Penalty	10% under 59½ unless for medical, medical insurance if unemployed, higher education, first home up to \$10,000, disability or death	10% and earnings are taxed if under 59½ unless for first home up to \$10,000, disability or death; withdrawals are considered contributions first, taxable earnings second	10% penalty and earnings taxed if not used for qualified education expenses or if after student's 30th birthday				
Distributions	Mandatory At 70½	Non-mandatory	Mandatory within 30 days of turning 30 (unless special needs)				
Roll Over	Yes into another IRA; taxed into a Roth IRA; penalty if income over \$100,000	IRAs, SEPs and SIMPLEs may be rolled into a Roth; Keoghs and 401(k)s	May be rolled over to another student's Coverdell IRA or same student's IRA				

**AGI phase-outs only apply to those also enrolled in an employer-provided retirement plan such as a 401(k). If not in such a plan, you may make the annual deductible contribution to a traditional IRA at any income level provided your income is not lower than the contribution.*