

Financial Advisor Darcy Bergen Explains How to Prepare for Retirement with an IRA

PEORIA, ARIZONA, UNITED STATES, October 1, 2019 /EINPresswire.com/ -- Don't put saving for retirement on the back burner, warns Peoria, Arizona financial advisor [Darcy Bergen](#). Whether you are just entering the workforce, in mid-career, or approaching retirement age, it is important to begin planning for retirement now, says Darcy Bergen, who has more than two decades of experience in financial planning.

An Individual Retirement Account, or IRA, is one of the best ways to plan for retirement, [Darcy Bergen explains](#), especially because of the tax advantages offered to account holders. Many types of IRAs are available – Traditional IRAs, Roth IRAs, Stretch IRAs, SEP IRAs, and more – but your income, age and marital status will help dictate which type of IRA is best for you.

Unlike 401k plans, which must be established by an employer, anyone can open an IRA. Darcy Bergen details the rules of IRA contributions and withdrawals below.

Single Filing

Unmarried individuals who file a tax return as a single earner and who have a modified adjusted gross income of less than \$122,000 may make the full annual contribution to an IRA, which is \$6,000 per year (\$7,000 if you're 50 or older). People with incomes over \$122,000 but less than \$137,000 can make a partial contribution to an IRA.

Married/Joint Filing



Darcy Bergen

Married couples who file a joint tax return and have a modified adjusted gross income of less than \$193,000 combined may also make a full contribution, while couples earning more than \$193,000, but less than \$203,000, can make a partial contribution.

Traditional IRA vs. Roth IRA

One of the major differences between Traditional IRAs and Roth IRAs is that with Traditional IRAs, federal and state tax deductions can be claimed, but once an individual retires, withdrawals from Traditional IRAs are taxed at ordinary rates.

Contributions to a Roth IRA are not tax-deductible; however, the earnings and withdrawals are typically tax-free, so if you can wait for your tax break, a Roth IRA is an appealing option.

“To qualify for the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a five-year holding requirement and distribution must take place after age 59½,” Bergen adds.

It’s also important to know that Roth IRA contributions cannot be made by taxpayers with high incomes. Other restrictions apply: “To qualify for the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a five-year holding requirement and distribution must take place after age 59½,” Bergen explains.

Stretch IRA

An inherited, or Stretch, IRA is allocated to a beneficiary by a parent, grandparent, spouse or others to hand down their IRA to a benefactor. The benefits of a Stretch IRA are numerous. Some advantages include avoiding sizable tax brackets, paying taxes on a deferred basis, and that the preliminary decisions can be altered if needed.

SEP IRA

The “SEP” in SEP IRA stands for “simplified employee pension.” These accounts are a useful retirement savings tool for small-business owners and self-employed people. Like a Traditional IRA, a SEP IRA offers a tax deduction on contributions. Your savings grow tax-deferred, and withdrawals in retirement are taxed at regular income tax rates.

Withdrawal Rules

Complicated tax laws can leave even a savvy investor confused. As a longtime financial adviser,

Darcy Bergen recognizes that many individuals are confused by the tax exemptions and tax penalties regarding the withdrawal of IRA contributions.

Since IRAs are meant to be used after retirement, tapping into them before retirement can incur penalties. Traditional IRA withdrawals before age 59½ will require a 10% penalty on the distribution, in addition to federal and state taxes. At age 59½, an individual can withdraw funds from an IRA without penalty.

In most cases, once you reach age 70½, you must begin taking required minimum distributions. The original owner of a Roth IRA is not required to take minimum annual withdrawals.

Tax-free and penalty-free withdrawals also can be taken under certain other circumstances, such as in the result of the owner's death.

To devise a strategy that works for your specific situation, a seasoned tax advisor or financial planner like Darcy Bergen can help you chart the best course for your future.

For more information about IRAs, go to [Darcy Bergen Financial](https://darcybergen.co) at darcybergen.co.

Caroline Hunter
Web Presence, LLC
+1 786-233-8220
[email us here](#)

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