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# ENERGY ONE

Source

FUELING YOUR FINANCIAL FUTURE SINCE 1935

Energy One Federal Credit Union is a member-focused institution. We provide this monthly newsletter in an effort to help our members be educated and informed in the financial world today.

## IRAs:

### Maximizing Tax Deductions with Proper Planning

#### What is an IRA?

An IRA (Individual Retirement Plan) is a trust or custodial account with which the taxpayer directs income toward investments that can grow tax-deferred. There are various kinds of IRAs, including the traditional IRA, the Roth IRA, SIMPLE IRA and SEP IRA. Contributions to the Traditional IRA may be tax-deductible depending upon the taxpayer's income, tax-filing status and other factors. Withdrawals from the IRA at retirement are taxed as income.

#### What is a Roth IRA?

The Roth IRA is named after Sen. William V. Roth, Jr. It was introduced as part of the Taxpayer Relief Act of 1997. It is structured so the assets in the Roth IRA become after-tax assets, which may create tax-free retirement income for you and maybe for your beneficiaries. All transactions within the IRA have no tax impact, and withdrawals are usually tax-free.

#### What are the guidelines for IRA contributions?

An IRA can only be funded with cash or cash equivalents. It is prohibited to attempt to transfer any other type of asset into the IRA. Doing so will disqualify the taxpayer from any beneficial tax treatment. Rollovers, transfers, and conversions between IRAs and other retirement arrangements can include any asset.

#### Are there limits for IRA contributions?

IRA contribution tax deductions are based upon your income and your eligibility to participate in a workplace retirement plan. Your total contributions to either a traditional IRA or Roth IRA cannot exceed the lesser of your earned income for the year or the annual maximum amount. The maximum IRA contribution limit varies by year.

For 2013, the maximum for an IRA contribution is \$5,500 for those under age 50, and \$6,500 for those over age 50. In the year 2014, the limits for IRA contributions are the same.

You also must be under age 70 1/2 to contribute to a

traditional IRA. (Roth IRAs, by contrast, have no age restrictions.)

#### How do I calculate my earned income requirements?

Only people who have earned income can contribute to an IRA. Earned income consists of wages as reported on a W-2, tips, self-employment income from a business or farm, and alimony. Other taxable but unearned income, such as dividends and interest income, do not count toward this eligibility requirement.

#### When is the deadline for contributing to my IRA?

The cut-off date for contributing to a traditional IRA and potentially receiving a tax deduction is not until the filing deadline of your tax return. Typically, that means you have until April 15 of the year following the year in which you will receive a tax deduction. Contributions to IRAs can be considered retroactive to the previous tax year.

#### My funds are currently in my employer's 401 (k) plan. Will it cost me to transfer funds to my IRA?

With a direct rollover from an employer-sponsored plan to your IRA, the distribution check is payable directly to your new trustee or custodian. This will help you to avoid mandatory tax withholding.

#### When can I withdraw funds from my IRA?

Although money can be distributed from an IRA at any time, there may be penalties for withdrawing funds under certain circumstances. Once the owner reaches age 59 1/2, the money can typically be withdrawn from the IRA penalty-free as taxable income.

Traditional IRA owners must begin taking distributions of at least the calculated minimum amounts by April 1 of the year after reaching age 70 1/2, or they will incur penalties.

To learn more about opening an IRA, please click here. CBall170



**SMART THOUGHTS:**

“Your time is limited, so don’t waste it living someone else’s life.”

- Steve Jobs



**Energy One Welcomes Corby Smith to Houston**

We are pleased to introduce Corby Smith as the new financial advisor with the MEMBERS Financial Services Program. Corby is available to assist you with your financial planning needs. If you would like to schedule an appointment with Corby, please call 713-821-4155.

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# Annual Meeting 2014

The Annual Members Meeting is here again! This year’s theme is **NAVIGATING THE NEW WORLD TOGETHER** and it will be held **on THURSDAY, APRIL 17**. We appreciate the opportunity to connect with our members and update them on the new and exciting opportunities arising at Energy One. Space is limited and reservations are required so do not hesitate and RSVP today! Details are listed below.

## LOCATION

DoubleTree at Warren Place. 6110 S Yale Ave. (Lower Level, the Grand Ballroom)  
The Double Tree Hotel at Warren Place is located on the corner of South 61 street and Yale, in between the two Warren Place buildings. A self parking garage is available to attendees at no extra charge.

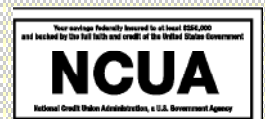


## AGENDA

Information tables open at 11 a.m.  
Lunch is served at 11:30 a.m.  
Meeting and presentation is at 12 p.m.

## RSVP

RSVP with number of attendees by April 14 online or 918-699-7100



[www.energyone.org](http://www.energyone.org)