

Traditional IRA vs. Roth IRA



Which retirement plan works best for you?

When it comes time to start planning for retirement, it can be overwhelming trying to decide what option is best for you. One common decision people face is whether to choose a Traditional IRA or a Roth IRA as their wealth accumulation vehicle. Before deciding, it is important to have the facts about both options:

	Traditional IRA	Roth IRA
Maximum yearly contribution	\$5,000 (\$6,000 if age 50 or older)	\$5,000 (\$6,000 if age 50 or older)
Rollover/ Conversion	Funds may be rolled over from other non qualified retirement plans to an IRA	Funds from a non-Roth 401(k) and other qualified plans can not be rolled over to a Roth IRA. They must first be transferred to an IRA before converting to Roth IRA
Tax-deductible contributions	Yes. Fully deductible if neither you or a spouse is covered by a retirement plan. Otherwise your deduction depends on your income and filing status.	No. Contributions to a Roth IRA are never tax deductible.
Age restrictions on contributions	Yes. You cannot make a contribution beginning the year you reach age 70½.	No
Tax-deferred growth	Yes	Yes
Required minimum distributions during lifetime	Yes. RMDs must begin by April 1st following the year you reach age 70½.	No. Distributions are not required during your lifetime.
Federal income tax on distributions	Yes. Earnings and deductible contributions are taxed at ordinary income tax rates	No, if account held for 5 years and additional requirements are met. For non-qualified distributions, only earnings portion is taxable.
10% penalty on early distributions	Yes, if you are under age 59½ and do not qualify for an exception	No, for qualified distributions. For non-qualified distributions, the penalty tax may apply to earnings portion.
Includable in taxable estate of IRA owner at time of death	Yes. But if beneficiary is properly named, assets avoid probate.	Yes. But if beneficiary is properly named, assets avoid probate.
Beneficiaries pay income tax on distribution after IRA owner's death	Yes, to the extent that a distribution represents deductible contributions and investment earnings.	Generally no, as long as the account has been in existence for at least 5 years.

Making the decision between a Traditional IRA and a Roth IRA really depends on your personal situation and retirement goals. There are some important questions to consider, such as:

- How long do you plan to wait before withdrawing money from your IRA?
- Do you expect to be in a higher tax bracket when you retire?
- Do you think you may need to withdrawal any of your contributions before age 59½?
- Would you like to continue contributing to your IRA after age 70½?

If you think that a Roth IRA is right for you, find out if you are eligible and how much you can contribute.

IF you have taxable compensation and your filing status is...	AND your modified adjusted gross income (AGI) is...	THEN ...
married filing jointly or qualifying widow(er)	less than \$159,000	You can contribute up to \$5,000 (\$6,000 if you are age 50 or older).*
	at least \$159,000 but less than \$169,000	The amount you can contribute is gradually reduced.*
	\$169,000 or more	You cannot contribute to a Roth IRA.
married filing separately and you lived with your spouse at any time during the year	\$0 (zero)	You can contribute up to \$5,000 (\$6,000 if you are age 50 or older).*
	more than \$0 (zero) but less than \$10,000	The amount you can contribute is gradually reduced.*
	\$10,000 or more	You cannot contribute to a Roth IRA.
single, head of household, or married filing separately and you did not live with your spouse at any time during the year	less than \$101,000	You can contribute up to \$5,000 (\$6,000 if you are age 50 or older).*
	at least \$101,000 but less than \$116,000	The amount you can contribute is gradually reduced.*
	\$116,000 or more	You cannot contribute to a Roth IRA.

Working with a financial representative can help to guide you toward the right retirement plan that works best with your needs. Contact Lincoln Benefit Life to help you understand your retirement options and start planning today!

* As explained in Publication 590: Individual Retirement Arrangements (IRAs), 2007: <http://www.irs.gov/pub/irs-pdf/p590.pdf>

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