

ASK THE EXPERT

Keep Roth growing tax-free

The problem: I'm a 77-year-old widow living on Social Security and brokerage account interest. I own my co-op outright and have a \$75,000 Roth IRA. I'd like to increase my monthly cash flow. Should I withdraw the Roth funds and invest them in income-producing products in my brokerage account?

The expert: Jim Hiles, certified financial planner, CBIZ Wealth Management, Manhattan.

The strategy: It probably does not make sense to withdraw your Roth funds. Generally, interest your Roth IRA earns and withdrawals you take from that account are not subject to tax and do not affect the determination of how much of your Social Security benefits are taxable. If you withdraw money from your Roth account and invest it in your brokerage account, however, income you earn there will be taxable and could reduce your net income.

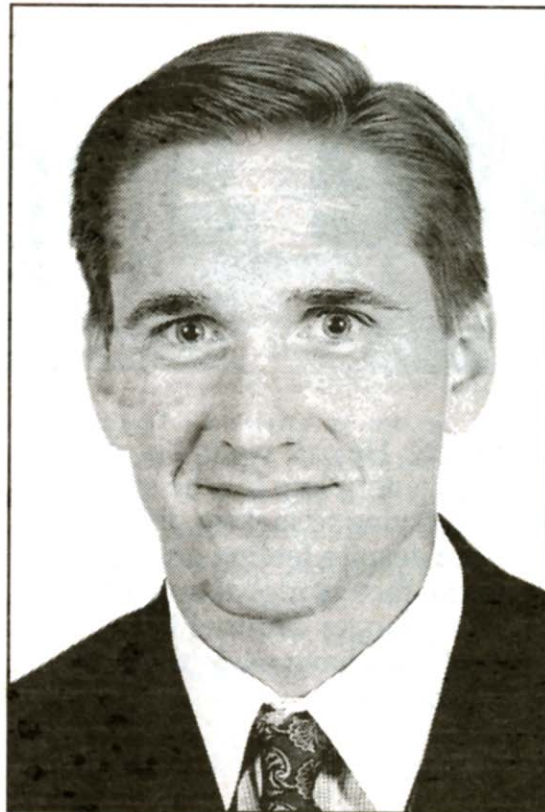
The rules: The main benefit of a Roth IRA is that all earnings are tax-free when withdrawn, as long as you meet certain requirements. Also, you don't have to take a minimum distribution from your Roth after age 70½, as you do with a

traditional IRA. Roth IRAs are funded with after-tax money, however, meaning there's no tax deduction for contributions.

How it works: "Qualified distributions" from your Roth IRA are not included in your gross income for tax purposes. A "qualified distribution" is generally any payment or distribution taken at least five years after you first contributed to the Roth IRA. That includes contributions made on or after you reach age 59½, made

because you are disabled, made to a beneficiary or to your estate after your death, or made to buy, build or rebuild a first home.

The results: Because its growth and earnings can be withdrawn tax-free in retirement, a Roth IRA can create a significant tax-advantaged source of funds. Look into investing in income-producing products — such as government bonds, CDs, income-oriented funds or unit investment trusts — inside your Roth IRA. The bank or brokerage firm that holds your Roth IRA can tell you what investments are available to you within that account.



Certified financial planner Jim Hiles

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