TAX TIP TUESDAY – WHICH IRA IS RIGHT FOR YOU?

To contribute to an IRA, you must have taxable compensation. This includes income from wages, salaries, tips, commissions, and bonuses. It also includes net income from self-employment.

For couples where one spouse doesn't work, the Spousal IRA provision allows the working spouse to contribute to a Traditional or Roth IRA on behalf of the non-working spouse. The non-working spouse must open their own IRA, which is still subject to income limitations.

IRA Comparison Table (2025)

Feature	Traditional IRA	Roth IRA
Contribution Limit	$7,000 ($8,000 if age 50+)	$7,000 ($8,000 if age 50+)
Age Limit	Under 70.5 for contributions	No age limit
Tax Treatment	Pre-tax (may be deductible)	After-tax; qualified withdrawals tax-free
Income Limits	Deduction phases out: Single $79K-$89K; Joint $126K-$146K	Contribution phases out: Single $150K-$165K; Joint $236K-$246K
Deadline	April 15 of following year	April 15 of following year
Spousal IRA	Allowed if one spouse has taxable compensation	Allowed if one spouse has taxable compensation
RMDs	Begin at age 73 (75 in 2033)	None

Required Minimum Distribution (RMD) Rules

RMDs must begin at age 73 for those born 1951–1959; age 75 for individuals born in 1960 or later (effective 2033). The "RMD April 1" deadline means your first RMD from accounts like traditional IRAs/401(k)s is due by April 1st of the year *after* you turn 73 (or 75 for those born 1960+), allowing you to delay it from the year you hit the age, but you'll take two RMDs (the delayed first one + the current year's) in that calendar year, with all subsequent RMDs due by December 31st.

Inherited IRA's

If you inherit an IRA, the rules for distributions depend on:

1. The account owner's date of death (before or after 2020).
2. The beneficiary's relationship to the owner (spouse or non-spouse).
3. The original owner's age (did the owner pass before or after required beginning date).

Beneficiary Type	Owner Died on or After Required Beginning Date (RBD)	Owner Died Before RBD
Eligible Designated Beneficiary (Surviving spouse, minor child, disabled/chronically ill individual, etc.)	**Annual RMDs** over the longer of their own life expectancy or the deceased owner's remaining life expectancy. A spouse can also treat it as their own IRA.	**Annual RMDs** over their single life expectancy, or the 10-year rule. Spouse can treat it as their own IRA.
Non-Spouse Designated Beneficiary (Under the SECURE Act)	**10-Year Rule:** Entire account must be distributed by the end of the 10th calendar year following the year of death, *plus* annual RMDs are required if death was after the owner's RBD.	**10-Year Rule:** Entire account must be distributed by the end of the 10th calendar year following the year of death; *no* annual RMDs required during the 10 years (per recent IRS relief).
Non-Designated Beneficiary (Estate, charity, etc.)	**5-Year Rule or life expectancy:** Distributions over the deceased owner's *remaining* single life expectancy at the time of death.	**5-Year Rule:** Entire account must be distributed by the end of the fifth calendar year following the year of death.

For non-spouse beneficiaries, whose account owner passed after 2019:

1. If the original account owner had begun taking RMD's, the 10-year rule generally applies, meaning the account must be fully distributed within 10 years following the year of death, taking annual RMD's year 1-9. For 2025, most non spouse beneficiaries must begin taking annual RMD from an inherited IRA and empty the account within 10 years.
2. If the original account owner died before their required beginning date for RMD's, the annual RMD for the

beneficiary may not be required but the beneficiary still must empty the account by year 10.

Inheriting a Roth IRA means funds are not taxed upon distribution, but rules dictate how and when they must be withdrawn. RMDs are required for most non-spouse inherited Roth IRAs in 2025 if the original owner died after reaching their required beginning date (age 73), under the 10-year rule. Roth owners are always considered to have died before their required beginning date, meaning beneficiaries don't take annual RMDs during the 10-year payout; the entire account must just be emptied by year 10, with no required annual withdrawals.

TAX TIP TUESDAY – MAXIMIZE YOUR QBI DEDUCTION THIS TAX SEASON

The qualified business income (QBI) deduction can be taken by individuals who own sole proprietorships, partnerships, S corporations, and certain trusts and estates. It is limited to twenty percent of a taxpayer's qualified business income, as well as twenty percent of REIT (Real Estate Investment Trust) dividends, and PTP (Publicly Traded Partnership) income. The deduction could be further limited for those taxpayers whose taxable income exceeds certain annual thresholds.

It does not matter whether a taxpayer chooses to itemize their deductions or takes the standard deduction on his or her return to be able to take the QBI deduction. Items that are not classified as QBI include but are not limited to wages, certain dividends, guaranteed payments from a partnership, reasonable compensation from an S corporation, interest income not allocated to a trade or business, and annuities.
