

Individual Retirement Account (IRA)

An Individual Retirement Account (IRA) allows you to save money for retirement in a tax-advantaged way...with tax-free growth or on a tax-deferred basis. At bankcda, IRA accounts are invested in certificates of deposit (CD) with a fixed amount of money for a fixed period, such as one year, two years, etc. In exchange, the bank pays a fixed rate of interest (see rate sheet). If an IRA is redeemed prior to maturity, a penalty applies.

IRA Penalties:

If term is 12 months or less – 31 days interest earned or could have been earned

If term is over 12 months and less than 36 months – 90 days interest earned or could have been earned

If term is 36 months or greater – 180 days interest earned or could have been earned

IRAs are only available to individuals. This is a single owner account with one or multiple beneficiaries. Because this account provides tax benefits, additional rules apply.

Types of IRAs offered at bankcda:

Traditional: This tax-deferred account allows the individual to reduce their income by deducting contributions from their income. Contribution limits are determined each year by the IRS. Interest earned on this account is not taxable. Distributions (withdrawals) are required at age 72 and are taxed as income at that time. Distributions prior to age 59 ½ will result in an IRS penalty as well as the bank penalty, if distribution is taken prior to the IRA/CD reaching maturity.

Roth: This account does not give the individual the tax benefit up front; however, withdrawals from a Roth IRA are tax-free (do not have to be reported as income). Interest earned on this account is not taxable. There are no required distributions on this account, and distributions prior to age 59 ½ will result in an IRS penalty as well as the bank penalty, if distribution is taken prior to the IRA/CD reaching maturity.

SEP: Simplified employee pension (SEP) IRAs are tax-deferred retirement accounts set up by business owners or self-employed individuals for themselves and any employees. These accounts work like the traditional IRA. Contribution limits are determined each year by the IRS. Interest earned on this account is not taxable. Distributions (withdrawals) are required at age 72 and are taxed as income at that time. Distributions prior to age 59 ½ will result in an IRS penalty as well as the bank penalty, if distribution is taken prior to the IRA/CD reaching maturity.

IRA owners have until April 15 of each year to make a prior year contribution. These must be identified upon acceptance of the contribution as they are coded differently than same year contributions.

****As an employee of bankcda, you are *NOT* a tax advisor! It is best the customer consult their tax advisor *prior* to opening any IRA so they fully understand the product and if/how it will benefit them.****

IRS.gov is a great resource when looking for IRA clarification.