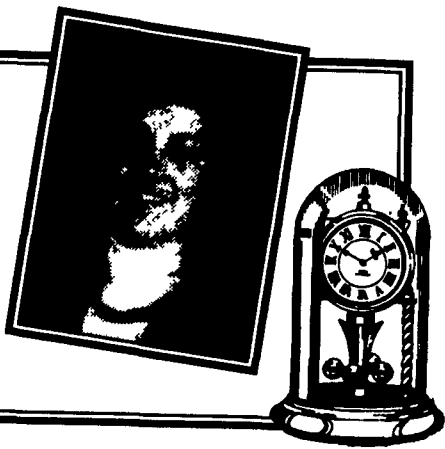


Taking Time by Rebecca Escott



The Roth IRA: Is It For Me?

The stock market has been turbulent in recent weeks, and many people are wondering how all this will affect their investments and retirement accounts. It may have you thinking about your options for saving for your future.

The Roth IRA is a new investment tool, created by the federal government this year. Its features differ from traditional IRAs in several ways, making it attractive to a different group of investors.

According to Natalie Choate, attorney with Bingham, Dana, L.L.P. in Boston, in "An Introduction to Roth IRAs," "The basic idea of this new breed of IRA is that contributions are nondeductible, but 'qualified distributions' are tax free . . . The Roth IRA offers other benefits: no minimum required distributions during life; no maximum age for making contributions; and even a favorable rule for tax treatment of 'non-

qualified' distributions."

The Roth IRA is available to single taxpayers whose adjusted gross income (AGI) is below \$95,000; to married taxpayers filing a joint return with an AGI below \$150,000. A married individual filing a separate return is not eligible for this IRA. Some financial advisers suggest that individuals making less than \$40,000 and couples making less than \$60,000 are often better off choosing a traditional IRA because they usually will need their retirement plan earnings within a few years of retirement and will be in a low tax bracket in their retirement years.

Families may choose to roll-over funds from a traditional IRA into a Roth IRA or they may make new contributions up to \$2,000 annually. In order to get the tax-free earnings, these funds must remain untouched in the account for five years. Laura Sanders, Forbes

magazine, says, "The longer you can afford to let the account grow until you draw on it, the greater the advantage of being in a Roth."

This IRA is only available to people who are working. Retirees who receive no "compensation income" cannot contribute to this. They may be able to roll over other IRA funds in to a conversion Roth IRA. One special rule exists in 1998 only: If a person decides to transfer funds from a traditional IRA to a Roth IRA, the income that he will have to pay tax on will be spread out over the next four years. He is, therefore, less likely to be bumped into an extremely high tax bracket during the year of the transfer.

After 1998, this advantage won't exist. Any individual converting after this year will need to pay taxes on the entire balance of the account as if it were income earned that year.

What individuals might want to choose a Roth IRA over a traditional IRA? An investor who:

- is over 70 years old and wants to keep making tax-free investments or doesn't need income distributions that he would be required to take from a traditional IRA.

- expects to live a long time in retirement and wants to stretch his distributions out over more years rather than taking out large amounts beginning at age 70.

- is looking for alternative, cleaner ways to pass assets on to beneficiaries in an estate plan.

- has a current tax bracket that is fairly similar to the one he will be in during his retirement years.

- has many years to invest in the IRA before retiring and is in an average tax bracket.

- wants to accumulate additional retirement savings but is ineligible for the traditional IRA because he already participates in an employee-sponsored retirement fund.

- wants to purchase a first home, five years in the future. He may withdraw up to \$10,000 from a Roth IRA, penalty free for a down payment on a first home if the account is more than five years old.

No matter what type of IRA plan you choose, it's important to investigate the company and investment history of the particular investment. Just like any mutual funds, company stocks, or annuities, IRA plans can vary in the amount of returns they generate for your investment. Research the

company and choose wisely.

If you'd like to do more research on the Roth IRA as an investment tool, check out the Internet site <<http://www.rothira.com>>. This site has excellent background information, links to news magazine articles, personal calculators, and other expert advice.

If you are struggling to find money to put in a retirement account, you may be interested in a free program offered by Cooperative Extension called Money 2000. This program which includes free newsletters filled with money-saving ideas is designed to help people reduce their family debts or increase their savings. Each family that enrolls will set a personal goal — one suggested goal is to save \$2,000 by the end of the year 2000. That may end up being your first contribution to an IRA. Contact your local Cooperative Extension Office for more information on this program.

Is Fabric Softener Spotting Your Clothes?

Liquid softener should be thoroughly mixed with water before putting it into the washer or use the fabric softener dispenser in your washer which automatically combines it with water.

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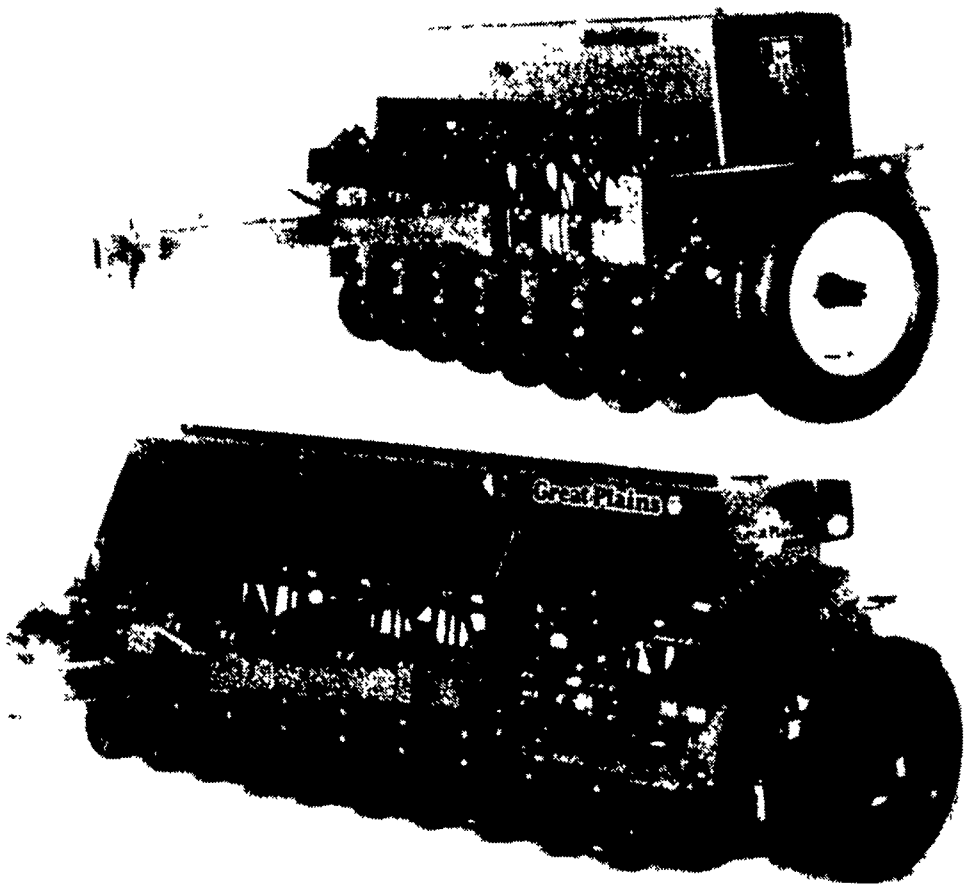
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