https://www.unionleader.com/news/business/money_sense/marc-a-hebert-s-money-ense-reasons-to-make-traditional/article_25e520d7-4e21-5358-82d2-ec38f58d3002.html

Marc A. Hebert's 'Money $ense': Reasons to make traditional IRAs part of your finances

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AS PART OF preparing your income tax return, you may have given some thought about whether or not to make a Traditional IRA contribution. Contributions allow individuals to take more charge over their savings, but many people don't actually take advantage of this.

However, a Traditional IRA has the potential to be a significant vehicle in your portfolio to help you accumulate more retirement wealth. Here are a few reasons why this type of account can help you down the road.

Tax Deferral. Traditional IRAs allow your investment earnings to grow tax-deferred until withdrawn, typically at retirement. As you may be in a lower tax bracket at retirement, this could work to your advantage. For 2019, the maximum contribution is the lesser of 100% of earned income or $6,000, but for those age 50 and older, the limit is $7,000. This reflects the so-called "catch-up" contribution for older people. For those participating in a plan at work, there are additional rules. Contributions for nonworking spouses are also possible under certain circumstances.

Deductibility. A Traditional IRA contribution is potentially deductible on your income tax return depending on your:

• Tax-filing status

• Modified adjusted gross income

• Active participation in a retirement plan

Be sure to explore these rules before making your contribution to make certain you are entitled to the deduction. A Traditional IRA contribution could be one way to reduce your current tax bill.

Ease of establishment. Many financial service companies offer Traditional IRA accounts. Opening an account could be simply a matter of filling out a form. Be sure to review the costs and types of investments offered. Customer service is also an important factor.

When you open an account, make certain to name beneficiaries. Beneficiaries are those who receive the account should you pass away. Be certain to name both primary and contingent beneficiaries just in case the primary beneficiaries predecease you. Beneficiaries should be reviewed periodically. Life changes and your beneficiary choices may change with it.

Investment choice. IRAs usually give account holders a wider access to different investments than employer-sponsored plans such as a 401(k). This will allow you to structure a portfolio specific to your needs that can be coordinated with other types of accounts you may own.

Portability. Some workers have made contributions to their employer-sponsored plans. When leaving your job, you might consider rolling your assets into an IRA. Over the course of your career, you might have multiple jobs and 401(k)s. The advantage to rolling them over to an IRA is the ease of reviewing and managing the accounts — they all become included in one place!

Convertibility. Traditional IRAs can be converted to Roth IRAs. There are tax consequences to doing so. While contributions to Traditional IRAs are typically made pre-tax and the distributions are taxable, contributions to Roth IRAs won't provide you a tax deduction. However, if certain parameters are met, the distributions are tax free. When reviewing your retirement and tax picture, there might be an advantage to the Roth IRA. To convert a Traditional IRA to a Roth IRA, the funds are transferred from one IRA to the other with the tax cost of withdrawing the Traditional IRA paid at the time of withdrawal.

You have until the due date of your federal income tax return (excluding extensions) to make contributions for the prior year. The contribution eligibility rules can get complicated. We encourage you to discuss your individual situation with your certified financial planner or personal tax adviser.

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