

The New Look of IRAs and ESAs

	Traditional IRA	Roth IRA	Coverdell ESA		
Qualifications	Must have earned income and not have reached age 70 1/2 by the end of the year.	Must have earned income. There are no age restrictions.	The designated beneficiary must be an individual under the age of 18. Beginning in 2002, the age 18 limitation will not apply to any designated beneficiary with special needs.		
Maximum Annual Contributions	Taxable years beginning:	Taxable years beginning:	Taxable years beginning:		
	In 2002 through 2004....\$3,000 In 2005 through 2007....\$4,000 In 2008 and after\$5,000*	In 2002 through 2004\$3,000 In 2005 through 2007\$4,000 In 2008 and after \$5,000*	In 2002 and after...\$2,000 per beneficiary. Contributions do not count against the limits for IRA's. Not taxed. Earnings grow tax-free.		
Tax Status of Earnings	Tax-deferred until withdrawal.	Not taxed. Earnings grow tax-free	Not taxed. Earnings grow tax-free.		
Contribution Restrictions	Yes, if active participant in employer retirement plan.	Yes, contributions phaseout between \$95,000-\$110,000 for singles and \$150,000-\$160,000 for married couples.	Yes, contributions phaseout between \$95,000-\$110,000 for singles and \$150,000-\$160,000 for married couples. For tax years beginning 2002, \$190,000-\$220,000 for married couples.		
	Contribution Phaseouts				
				Singles	Married Couples
	2003			\$40,000-\$50,000	\$60,000-\$70,000
2004	\$45,000-\$55,000	\$65,000-\$75,000			
2005	\$50,000-\$60,000	\$70,000-\$80,000			
2006	same as 2005	\$75,000-\$85,000			
2007	same as 2005	\$80,000-\$100,000			
Tax Deduction	Yes. Contributions up to the limit are fully tax deductible if you are not an active participant in a retirement plan. Otherwise, phaseout rules apply.	No.	No.		
Penalties for Early Withdrawal	None if: <ul style="list-style-type: none"> Over 59 1/2 Death or disability Qualified medical expenses Certain health insurance Qualified college expenses 1st time home purchase (up to \$10,000) Due to IRS levy 	None if: <ul style="list-style-type: none"> Over 59 1/2 Death or disability Qualified medical expenses Certain health insurance Qualified college expenses 1st time home purchase (up to \$10,000) Due to IRS levy 	None if: <ul style="list-style-type: none"> For payment of qualified education expenses 		
Required Distributions	Must begin by April following year participant turns 70 1/2.	Only after death of the participant.	Must be complete 30 days after beneficiary reaches age 30 or dies. Beginning in 2002, the age 30 limit will not apply to any beneficiary with special needs.		
Contributions After Age 70 1/2	Not allowed.	Allowed.	Allowed.		

*To be adjusted annually for inflation in \$500 increments.