

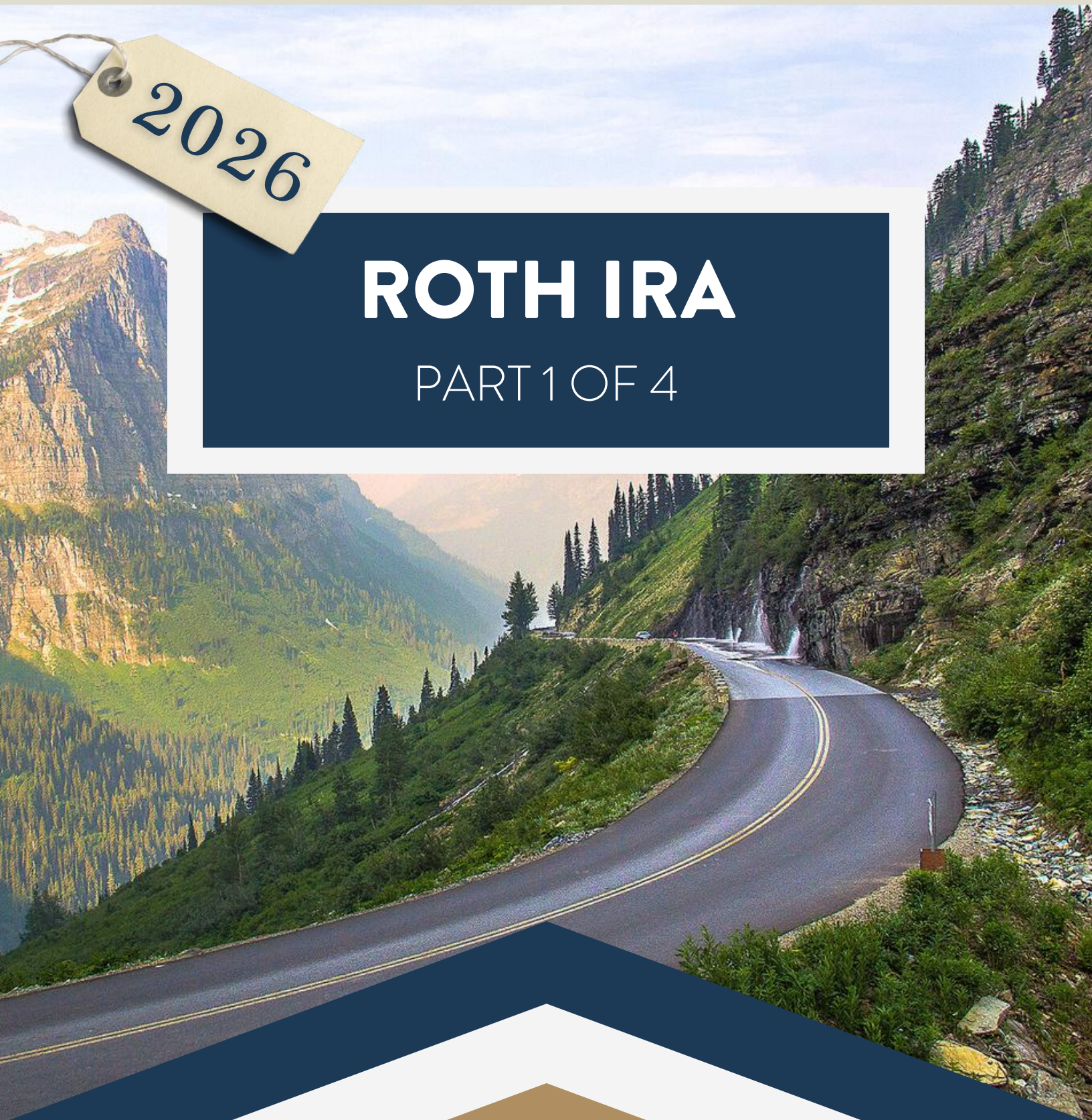
# ASSET STRATEGY

Helping You Create, Manage, Protect, & Distribute Wealth®

2026

## ROTH IRA

PART 1 OF 4



## First Thing's First... What is a Roth IRA?

One way to save for retirement is through an individual retirement account, commonly referred to as an IRA. A Roth IRA is a specific type of tax-advantaged individual retirement account that allows for after-tax contributions. One of the key advantages of a Roth IRA is tax-free growth on both contributions and earnings, which may be withdrawn tax-free at age 59½, provided the account has been open for at least five years. In simple terms, contributions made to a Roth IRA are taxed upfront, while qualified withdrawals taken in the future are not subject to federal income tax.



## How Does a Roth IRA Work?

Money that has already been taxed can be contributed to a Roth IRA. Once contributed, those funds can grow over time, and qualified withdrawals taken during retirement are not subject to additional federal income taxes. A Roth IRA can be funded in several different ways, including:

Regular Contributions	Spousal IRA Contributions	Transfers	Rollover Contributions	Conversions
-----------------------	---------------------------	-----------	------------------------	-------------

All contributions to a standard Roth IRA, including payments made by check or electronic transfer, must be made in cash. Contributions cannot be made using property or securities. The Internal Revenue Service sets annual contribution limits for all IRAs and periodically adjusts these limits over time. <sup>1</sup>

There are several types of IRAs available, but contribution limits apply collectively across all IRA accounts. An individual cannot contribute more than the annual maximum total amount to all IRA accounts combined within a given tax year. <sup>2</sup>

Like other qualified retirement accounts, a Roth IRA allows investments to grow without being subject to ongoing taxation. Unlike many other retirement plans, a Roth IRA has fewer distribution requirements. The account may remain open indefinitely, allowing continued tax-free growth for as long as the account holder chooses.

## Allowable Investments in a Roth IRA

After contributions are made, a Roth IRA offers access to a wide range of investment options, including mutual funds, stocks, bonds, certificates of deposit, exchange-traded funds, and money market funds. Contributions to a Roth IRA must be made in cash, which means cryptocurrency cannot be contributed directly to the account. However, investors seeking broader investment flexibility may consider a Roth self-directed IRA, or SDIRA, which allows account holders to take a more active role in managing investments. SDIRAs can permit a wider range of alternative investments, including certain digital asset investments, when structured properly and held through approved custodial arrangements. <sup>3</sup>

The 2026 maximum annual contribution limit to a Roth IRA for individuals under age 50 is \$7,500. For individuals age 50 and older, the additional catch-up contribution is \$1,100, bringing their total allowable contribution to \$8,600. <sup>4</sup>

You can hold assets that are not typically part of a traditional retirement portfolio, in addition to standard investments such as stocks, bonds, cash, money market funds, and mutual funds. These alternative assets may include gold, partnerships, tax liens, investment real estate, and even franchise businesses.

1. <https://www.irs.gov/pub/irs-pdf/p590a.pdf> as of 1.30.2025

2. <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits> as of 8.20.2024

3. <https://www.investopedia.com/terms/r/rothira.asp> as of 11.22.2024

4. <https://www.kiplinger.com/retirement/roth-ira-limits> as of 11.14.2025

## How Do You Open a Roth IRA?

To open a Roth IRA, you must select a financial institution that is authorized by the IRS to offer individual retirement accounts. A Roth IRA may be established at any time. However, contributions for a specific tax year must be made by the IRA owner's tax-filing deadline, which is generally April 15 of the following year.<sup>5</sup>

When you set up an IRA, there are two essential documents that the IRA owner needs to be given.<sup>6</sup>

1. The IRA disclosure statement
2. The IRA adoption agreement and plan document

These documents outline the rules and regulations that govern the operation of a Roth IRA. They also establish an agreement between the owner of the IRA and the custodian/trustee of the IRA.

## What Funds Can You Contribute?

When it comes to Roth IRAs, the IRS has specific guidelines regarding both the amount and the type of money that can be contributed. For individuals who work for an employer, only earned income may be contributed to a Roth IRA. Earned income includes wages, salaries, tips, and other forms of taxable employee compensation.

Self-employed individuals, as well as partners or members of pass-through businesses, receive compensation based on net business income. This amount is calculated after subtracting allowable deductions for retirement plan contributions and fifty percent of self-employment taxes.

Certain divorce-related income may also be eligible for Roth IRA contributions. Alimony payments received under divorce agreements finalized before Dec. 31, 2018 are considered taxable income and may qualify as earned income. Child support and property settlements do not qualify as earned income and cannot be contributed.

## What Funds Are Not Eligible?

- Stock dividends and capital gains
- Rental income or other profits from property maintenance
- Pension or annuity income
- Interest income
- Passive revenue from a partnership without providing significant services

## Who is Eligible for a Roth IRA?

Anyone with earned income may contribute to a Roth IRA as long as they fulfill specific filing status and modified adjusted gross income (MAGI) criteria.

Those whose yearly income exceeds a specific level, which the IRS modifies on a regular basis, are unable to contribute.

5. <https://www.investopedia.com/terms/d/disclosurestatement.asp> as of 8.11.2024

6. <https://www.investopedia.com/terms/i/iradocument.asp> as of 8.11.2024

## Do You Qualify for a Roth IRA?

The qualification rules operate as follows. Individuals whose income falls below the applicable income limits for their filing status may contribute up to one hundred percent of their earned income or the annual contribution limit, whichever is less. Individuals whose income falls within the phaseout range must reduce their allowable contribution. This is calculated by subtracting their modified adjusted gross income from the upper income limit and dividing the result by the size of the phaseout range. The outcome of this calculation determines the percentage of the maximum contribution they are permitted to make.<sup>7</sup>

Category	Income Range for 2026 Contribution
<b>Married and filing a joint tax return</b>	<ul style="list-style-type: none"> <li>• Full contribution if MAGI is less than <b>\$242,000</b></li> <li>• Partial contribution if MAGI is <b>\$242,000</b> to less than <b>\$252,000</b></li> <li>• No contribution at <b>\$252,000</b> or more</li> </ul>
<b>Married, filing a separate tax return, lived with spouse at any time during the year</b>	<ul style="list-style-type: none"> <li>• Full contribution if MAGI is less than <b>\$10,000</b></li> <li>• Partial contribution if MAGI is \$0 to less than <b>\$10,000</b></li> <li>• No contribution once MAGI reaches <b>\$10,000</b> or more</li> </ul>
<b>Single, head of household, or married filing separately without living with spouse at any time during the year</b>	<ul style="list-style-type: none"> <li>• Full contribution if MAGI is less than <b>\$153,000</b></li> <li>• Partial contribution if MAGI is <b>\$153,000</b> to less than <b>\$168,000</b></li> <li>• No contribution at <b>\$168,000</b> or more</li> </ul>

## What is a Spousal Roth IRA?

A spousal Roth IRA is a strategy that allows married couples to increase their overall retirement savings. One spouse may contribute to a Roth IRA on behalf of a married partner who has little or no earned income. Contributions made to a spouse's Roth IRA are subject to the same rules, income limits, and eligibility requirements as standard Roth IRA contributions. Because Roth IRAs cannot be held jointly, each spouse must maintain a separate Roth IRA in their own name.<sup>8</sup>

### To qualify for a spousal Roth IRA contribution, the following requirements must be met:

- The couple must be married and file a joint federal tax return.
- The contributing spouse must have sufficient earned income.
- Total contributions to both IRAs may not exceed the couple's combined taxable earned income reported on their joint return.

Contributions to each Roth IRA may not exceed the annual contribution limit, which in 2026 is \$7,500 for individuals under age 50 and \$8,600 for individuals age 50 and older. Maintaining two separate accounts allows married couples to effectively increase their combined retirement savings potential while remaining within IRS limits.

7. <https://www.irs.gov/publications/p590a> as of 1.15.2026

8. <https://www.fool.com/retirement/plans/ira/spousal> as of 11.26.2025



## Roth IRA Withdrawals (Qualified Distributions)

You may withdraw money from a Roth IRA at any time without paying taxes or penalties. When withdrawals consist only of the amounts you contributed, the distribution is not treated as taxable income and is not subject to early withdrawal penalties, regardless of your age or how long the account has been open. For earnings to be distributed tax free, the withdrawal must take place at least five years after the first Roth IRA contribution and must satisfy at least one of the following conditions:

- The Roth IRA owner is at least age 59½ at the time of the withdrawal.
- The funds are used for the purchase, construction, or rebuilding of a first home for the account owner or a qualified family member, including a spouse, child, grandchild, parent, or other eligible relatives. The lifetime limit for this exception remains \$10,000.
- The account owner becomes disabled.
- The distribution is made after the death of the Roth IRA owner, with assets distributed to designated beneficiaries.



## What Is the Roth IRA Five-Year Rule?

Withdrawal of profits may incur taxes and/or a 10% penalty, based upon your age and compliance with the five-year rule. Here is a concise summary.

If You Meet the Five-Year Rule:	If You DO NOT Meet the Five-Year Rule:
<p><b>Under age 59½:</b> Earnings are subject to taxes and penalties. You may be able to avoid taxes and penalties if the funds are used for a first-time home purchase, subject to a \$10,000 lifetime limit, if you become permanently disabled, or if you pass away and your beneficiary receives the distribution.</p>	<p><b>Under age 59½:</b> Earnings are subject to income taxes and penalties. You may be able to avoid the ten percent penalty, but not the taxes, if the funds are used for a first-time home purchase subject to a \$10,000 lifetime limit, qualified education expenses, unreimbursed medical expenses, or disability, or if you pass away and your beneficiary receives the distribution.</p>
<p><b>Ages 59½ and older:</b> Earnings may be withdrawn with no taxes or penalties.</p>	<p><b>Ages 59½ and older:</b> Earnings are subject to income taxes but not early withdrawal penalties.</p>



## Roth IRA Withdrawals: Non-Qualified Distributions

If a withdrawal of earnings does not meet the requirements for a qualified distribution, it is classified as a non-qualified distribution and may be subject to federal income tax and a ten percent early distribution penalty. Certain exceptions may apply to waive the ten percent penalty, but not the income tax, if the funds are used for the following purposes:

For unreimbursed medical expenses:	Distributions used to pay unreimbursed medical expenses that exceed 7.5 percent of the individual's adjusted gross income.
To pay medical insurance:	Distributions used to pay health insurance premiums if the individual has lost their job and received unemployment compensation for at least twelve consecutive weeks.
For qualified higher education expenses:	Distributions used to pay qualified higher education expenses for the Roth IRA owner or their dependents. Eligible expenses include tuition, fees, books, supplies, and equipment required for enrollment or attendance at an eligible educational institution.
For childbirth or adoption expenses:	Distributions of up to \$5,000 are used to pay expenses related to the birth or adoption of a child, provided the expenses are incurred within one year of the birth or adoption.

**It should be noted that the contribution is reversed if you only withdraw the portion of your contributions made during the current tax year, including any earnings on those contributions.**

**Because investor situations and objectives vary this information is not intended to indicate suitability for any individual investor.**

This is for informational purposes only, does not constitute individual investment advice, and should not be relied upon as tax or legal advice. Please consult the appropriate professional regarding your individual circumstances.

There are retirement account risks that could diminish investor returns, such as, but not limited to: low interest rates, market volatility, withdrawal timing and sequence of returns risk, government policy uncertainty and increased longevity. Prospective investors should perform their own due diligence carefully and review the "Risk Factors" section of any prospectus, private placement memorandum or offering circular before considering any investment.

Roth individual retirement accounts (IRAs) are available for individuals with income under specific amounts and offer lower contribution levels via after-tax money, which do not offer tax deduction in the contribution year. Withdrawals of account earnings must not be made until at least five years have passed since first contribution and earnings can not be withdrawn before age 59 1/2.

Advisory Services offered through Asset Strategy Advisors, LLC (ASA), an SEC Registered Investment Advisor. Securities offered through Concorde Investment Services, LLC (CIS), member FINRA/SIPC. Insurance Services offered through Asset Strategy Financial Group, Inc. (ASFG). ASA, CIS, and ASFG are independent of each other.

ia-sc-r-a-796-1-2026

**Contact us today for a review of your finances to determine whether Roth IRA strategies align with your overall financial plan.**

# ASSET STRATEGY

Helping You Create, Manage, Protect, & Distribute Wealth®

781-235-4426

info@assetstrategy.com

www.assetstrategy.com

Scan or click here to set up a meeting

