

UNDERSTANDING ROTH IRA CONTRIBUTIONS

AAFMAA WEALTH MANAGEMENT & TRUST LLC



UNDERSTANDING ROTH IRA CONTRIBUTIONS

AAFMAA WEALTH MANAGEMENT & TRUST LLC

A POWERFUL TOOL FOR TAX-FREE RETIREMENT INCOME — **WHEN USED THOUGHTFULLY**

You've spent your career serving with discipline and foresight. Your financial strategy should reflect the same level of precision. **A Roth IRA can be a valuable tool in helping you build tax efficient retirement income and preserve more of what you've earned for the future.**

A Roth IRA is an individual retirement account funded with after-tax dollars. While contributions do not reduce your current tax bill, a Roth IRA offers meaningful long-term benefits when used appropriately.

KEY BENEFITS OF A ROTH IRA

- ❑ **Tax-free growth and withdrawals:** Qualified withdrawals of both contributions and earnings are tax-free in retirement (generally after age 59½ and once the account has met the 5-year rule).
- ❑ **No required minimum distributions (RMDs):** Unlike Traditional IRAs, Roth IRAs are not subject to RMDs during the owner's lifetime, which can provide more flexibility in retirement and estate planning.
- ❑ **Tax diversification:** Having assets in a Roth IRA can help manage future tax brackets by providing a source of tax-free income alongside taxable and tax-deferred accounts.
- ❑ **Estate planning advantages:** Roth IRAs can be an efficient asset to pass to heirs, as distributions are generally tax-free (subject to inherited IRA rules).



UNDERSTANDING
ROTH IRA CONTRIBUTIONS
AAFMAA WEALTH MANAGEMENT & TRUST LLC



IMPORTANT **CONSIDERATIONS**

- ❑ **No upfront tax deduction:** Contributions are made with after-tax dollars, so there is no immediate tax benefit.
- ❑ **Income limits apply:** Eligibility to contribute is based on your modified adjusted gross income (MAGI) and tax filing status.
- ❑ **Annual limits:** Contributions are capped each year and shared across all IRA types (Traditional and Roth combined).

ROTH IRA CONTRIBUTION LIMITS (2026)

For the 2026 tax year, the maximum contribution is:

- ❑ \$7,500 if under age 50
- ❑ \$8,600 if age 50 or older (\$1,100 catch-up contribution)

These limits apply across all IRAs combined, not per account.

Income Phase-Out Limits (2026)

Your ability to contribute to a Roth IRA depends on your MAGI:

- ❑ **Single filers / Head of Household**
 - Full contribution: MAGI below **\$153,000**
 - Partial contribution: **\$153,000 – \$168,000**
 - No contribution allowed: **\$168,001 or higher**
- ❑ **Married filing jointly**
 - Full contribution: MAGI below **\$242,000**
 - Partial contribution: **\$242,000 – \$252,000**
 - No contribution allowed: **\$252,001 or higher**
- ❑ **Married filing separately (and lived with spouse during the year)**
 - Partial contribution only if MAGI is below \$10,000.



CONTRIBUTION DEADLINES

- ❑ Contributions for a given tax year can be made up until the tax filing deadline, typically April 15 of the following year.
- ❑ For example, 2025 contributions can be made through April 15, 2026.

What If You Contribute but Are Over the Income Limit?

This can happen if income is higher than expected (bonuses, distributions, capital gains, etc.). The IRS considers this an excess contribution.





UNDERSTANDING
ROTH IRA CONTRIBUTIONS
AAFMAA WEALTH MANAGEMENT & TRUST LLC

IF CORRECTED **ON TIME**

You generally have until:

- ❑ **April 15** of the following year, or
- ❑ **October 15** if you file a valid tax extension to correct the excess without penalty.

Common correction options include:

- ❑ Removing the excess contribution (and any earnings on that amount), or
- ❑ Recharacterizing the contribution to a Traditional IRA, if eligible.

If You Miss the Correction Deadline:

- ❑ A 6% IRS excise tax applies each year the excess remains in the account.
- ❑ The issue can still be fixed later, but the penalty will apply for each year it remains uncorrected.

Post-deadline options may include:

- ❑ Withdrawing the excess contribution (penalty still applies for prior years), or
- ❑ Carrying the excess forward to a future year in which you are eligible to contribute (penalty applies until absorbed).

UNDERSTANDING ROTH IRA CONTRIBUTIONS

AAFMAA WEALTH MANAGEMENT & TRUST LLC



Final Thoughts

A Roth IRA can be an excellent long-term planning tool, but eligibility rules and timing matter. Income changes, filing status, and coordination with other retirement strategies should all be considered before contributing.

If you have fluctuations in income or large capital gains in one year that may increase your MAGI, it may be wise to wait to contribute to your Roth IRA after you have a better idea of your MAGI – this could help avoid removing excess contributions and the risk of a penalty.

We recommend reviewing Roth IRA contributions as part of your broader tax and retirement planning strategy and coordinating with your tax advisor when income is near the phase-out limits.

Your service deserves a strategy built to protect and grow what you've earned.

If you'd like guidance on how a Roth IRA fits into your broader financial plan, we invite you to speak with a professional at [AAFMAA Wealth Management & Trust](#) or **call 910-307-3500**.



AAFMAA Wealth Management & Trust LLC

© 2026 AAFMAA Wealth Management & Trust LLC. Information provided by AAFMAA Wealth Management & Trust LLC is not intended to be tax or legal advice. Nothing contained in this communication should be interpreted as such. We encourage you to seek guidance from your tax or legal advisor. Past performance does not guarantee future results. Investments are not FDIC or SIPC insured, are not deposits, nor are they insured by, issued by, or guaranteed by obligations of any government agency or any bank, and they involve risk including possible loss of principal.

No information provided herein is intended as personal investment advice or financial recommendation and should not be interpreted as such. The information provided reflects the general views of AAFMAA Wealth Management and Trust LLC but may not reflect client recommendations, investment strategies, or performance. Current and future financial environments may not reflect those illustrated here. Views of AAFMAA Wealth Management & Trust LLC may change based on new information or considerations.