

# Understanding Traditional and Roth IRAs: Contributions

## Traditional IRAs: 2012 Deductibility of Contributions

If you are covered by a retirement plan at work, use this table to determine if your modified AGI (MAGI) affects the amount of your deduction.

If Your Filing Status Is...	And Your MAGI Is...	Then You Can Take...
single or head of household	\$58,000 or less in 2012	a full deduction up to the amount of your contribution limit.
	more than \$58,000 but less than \$68,000 in 2012	a partial deduction.
	\$68,000 or more in 2012	no deduction.
married filing jointly or qualifying widow(er)	\$92,000 or less in 2012	a full deduction up to the amount of your contribution limit.
	more than \$92,000 but less than \$112,000 in 2012	a partial deduction.
	\$112,000 or more in 2012	no deduction.
married filing separately	less than \$10,000	a partial deduction.
	\$10,000 or more	no deduction.

If you file separately and did not live with your spouse at any time during the year, your IRA deduction is determined under the "Single" filing status.

## Traditional IRAs: 2012 Deductibility of Contributions

If you are not covered by a retirement plan at work, use this table to determine if your modified AGI (MAGI) affects the amount of your deduction.

If Your Filing Status Is...	And Your MAGI is...	Then You Can Take...
single, head of household, or qualifying widow(er)	any amount	a full deduction up to the amount of your contribution limit.
married filing jointly or separately with a spouse who is not covered by a plan at work	any amount	a full deduction up to the amount of your contribution limit.
married filing jointly with a spouse who is covered by a plan at work	\$173,000 or less in 2012	a full deduction up to the amount of your contribution limit.
	more than \$173,000 but less than \$183,000 in 2012	a partial deduction.
married filing separately with a spouse who is covered by a plan at work	\$183,000 or more in 2012	no deduction.
	less than \$10,000	a partial deduction.
	\$10,000 or more	no deduction.

If you file separately and did not live with your spouse at any time during the year, your IRA deduction is determined under the "Single" filing status.

## Roth IRAs: 2012 Contribution Limits — Effect of Modified AGI (MAGI) on Roth Contributions

This table shows whether your contribution to a Roth IRA is affected by the amount of your MAGI as computed for Roth IRA purpose.

If You Have Taxable Compensation and Your Filing Status is...	And Your Modified AGI is...	Then...
married filing jointly or qualifying widow(er)	Less than \$173,000 in 2012	you can contribute up to the limit.
	at least \$173,000 but less than \$183,000 in 2012	the amount you can contribute is reduced.
	\$183,000 or more in 2012	you cannot contribute to a Roth IRA.
married filing separately and you lived with your spouse at any time during the year	zero (-0-) in 2012	you can contribute up to the limit.
	more than zero (-0-) but less than \$10,000 in 2012	the amount you can contribute is reduced.
	\$10,000 or more in 2012	you cannot contribute to a Roth IRA.
Single, head of household, or married filing separately and you did not live with your spouse at any time during the year	less than \$110,000 in 2012	you can contribute up to the limit.
	at least \$110,000 but less than \$125,000	the amount you can contribute is reduced.
	\$125,000 or more in 2012	you cannot contribute to a Roth IRA.

## Comparison of Traditional IRAs and Roth IRAs

	The Traditional IRA	The Roth IRA
<b>Who May Establish?</b>	An individual who has earned income or whose spouse has earned income.	An individual who has earned income or whose spouse has earned income.
<b>Age Limits</b>	Must be under age 70½.	No age limits.
<b>Contribution Eligibility (2012)</b>	Contribution is permitted if the individual has not reached age 70½ by the end of the contribution year.	<ul style="list-style-type: none"> <li>• Full contribution when modified AGI (MAGI) is less than \$110,000 (single) or \$173,000 (joint) for 2012.</li> <li>• Partial contribution when modified AGI (MAGI) is \$110,000 – \$125,000 (single) or \$173,000 – \$183,000 (joint) for 2012.</li> </ul>
<b>Annual Contribution Limits (2012)*</b>	\$5,000* or 100% of earned income, whichever is less. \$6,000 if age 50 or older.	\$5,000* or 100% of earned income, whichever is less. \$6,000 if age 50 or older.
<b>Deductibility (2012)</b>	Deductibility of contributions depends upon annual income and coverage by a retirement plan at work.	All contributions are non-deductible.
<b>Required Minimum Distributions</b>	Begin the year in which individual turns age 70½. The first distribution may be postponed to April 1 of the following year.	No distributions are required during life of owner or spouse beneficiary. Other beneficiaries must commence periodic distributions not later than December 31 of year following death of owner/spouse beneficiary or receive lump sum amount not later than five years after death of owner or spouse beneficiary.
<b>How Are Distributions Taxed?</b>	<p>Ordinary income tax when:</p> <ul style="list-style-type: none"> <li>• over age 59½</li> <li>• used for first-time home ownership (\$10,000 lifetime limit)</li> <li>• used for qualified higher-education expenses ** incurred by the IRA holder or an immediate family member</li> <li>• distributed to beneficiaries upon IRA holder's death</li> <li>• used to cover unreimbursed medical expenses exceeding 7.5% of AGI</li> <li>• used to purchase medical insurance after receiving unemployment compensation for more than 12 weeks</li> <li>• due to disability</li> <li>• withdrawals under Substantially Equal Periodic Payments schedule</li> <li>• the distribution is a qualified reservist distribution</li> </ul> <p>Ordinary income tax and 10% penalty when:</p> <ul style="list-style-type: none"> <li>• pre-59½ and none of the above exceptions apply</li> </ul>	<p>For the purpose of taxation, all distributions are considered to come from contributions first and earnings last. Since contributions are non-deductible, they are tax-free and penalty-free upon withdrawal at any time. Accumulated earnings may be subject to taxation according to the following rules.</p> <p>Tax-free and penalty-free if held for five years or more and any one of the following:</p> <ul style="list-style-type: none"> <li>• over age 59½</li> <li>• used for first-time home ownership (\$10,000 lifetime limit)</li> <li>• due to disability</li> <li>• distributed to beneficiaries upon IRA holder's death</li> </ul> <p>Ordinary income tax on earnings when:</p> <ul style="list-style-type: none"> <li>• one of the above exceptions applies but account held for less than five years</li> <li>• used for qualified higher-education expenses** incurred by the IRA holder or an immediate family member</li> <li>• used to cover unreimbursed medical expenses exceeding 7.5% of AGI</li> <li>• used to purchase medical insurance after receiving unemployment compensation for more than 12 weeks</li> <li>• the distribution is a qualified reservist distribution</li> </ul> <p>Ordinary income tax and 10% penalty on earnings when:</p> <ul style="list-style-type: none"> <li>• none of the above exceptions apply</li> </ul>

\*Maximum annual contribution to either a Traditional IRA or Roth IRA, or a combination of the two.

\*\*Note: The term "qualified higher-education expenses" includes tuition, fees, books, supplies and equipment for the attendance of a student at any eligible education institution, as well as the minimum room and board allowance determined by that institution. Qualified higher-education expenses include expenses relating to undergraduate or graduate-level courses.

Source: IRS Publication 590, Individual Retirement Arrangements (IRAs)

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