# Retirement Tax Handling

This playbook provides a structured process for understanding and documenting how taxes are applied to retirement contributions, focusing on traditional and Roth IRAs.

### Step 1: Identify

Identify the types of retirement accounts involved, specifically traditional and Roth IRAs. Understand the tax treatment for each type.

### Step 2: Document

Document the current year's contribution limits, income limits for deductibility, and any phase-outs for traditional and Roth IRAs.

### Step 3: Calculate

Calculate the deductible contributions for traditional IRAs based on the client's income level and filing status.

### Step 4: Review

Review the taxation rules for withdrawals from traditional and Roth IRAs, including the differences in tax-free and tax-deferred growth.

### Step 5: Update

Update the documentation annually to reflect any changes in the tax laws or contribution limits.

## General Notes

### Key Distinction

Remember that traditional IRA contributions may be tax-deductible, while Roth IRA contributions are made with after-tax dollars but can potentially grow tax-free.

### Early Withdrawal

There may be penalties for early withdrawals from traditional and Roth IRAs, which should be documented for complete tax planning.

### Tax Forms

Include information about the specific tax forms and lines where IRA contributions and distributions are reported.