

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.