Know your IRA options

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Put an IRA to work for your retirement

1 | What you need to know about IRAs

What's an IRA?

An individual retirement account (IRA) offers tax benefits that can help you save the money you'll need for your retirement. IRAs come in two versions:

- **Traditional IRA.** Invest after-tax money (may be deductible when filing taxes); defer taxes on earnings until withdrawal, usually during retirement.
- **Roth IRA.** Invest after-tax money; withdrawals of contributions are always tax-free, while the withdrawal of earnings are tax-free if it is a qualified distribution. (Refer to page 6.)

Both choices offer significant tax advantages and investment compounding potential, giving you the flexibility to make withdrawals during retirement as tax rates rise or fall. (Refer to page 4 to learn more and find out about eligibility and deductibility.)

Why would I need an IRA?

- We're living longer and, as a result, your retirement could last 30 years or more. This, however, means your lifestyle during those years may be significantly impacted by the amount you've saved during your working years.
- Social Security is intended to replace only about 40% of your pre-retirement income, which means accumulating the other 60% is your responsibility.
- **An IRA could:**
  - Be particularly important if your employer doesn't offer a retirement plan – or if you're already saving the maximum in your employer's plan, but want to save more.
  - Supplement other retirement income sources such as Social Security, pensions, employer-sponsored plans, sale of property, inheritances and annuities, while also acting as a potential hedge against inflation.
  - Help cover health care costs during retirement, as medical bills often become more costly and frequent as we age.

When you might consider an IRA

Changing jobs?

If you have money in a retirement plan when changing employers, consider the pros and cons of all your options, which may include leaving the money in the plan or rolling the assets into an IRA.

About to retire?

As you prepare to retire, you may wish to consider consolidating retirement plan assets into a traditional or Roth IRA.

Spouse not employed?

Although you must earn an income to contribute to an IRA account, the IRS allows couples who file as "married filing jointly" to open an IRA in the nonworking spouse's name.

Benefits of a traditional IRA

- **No income limits** – Everyone is eligible to open a traditional IRA.
- **Annual income tax deductions** – Part or all of annual contributions to a traditional IRA may be deductible on your tax return. (Refer to pages 4 and 5 for more information.)
- **Tax-deferred growth** – You don't have to pay taxes on your earnings until you make withdrawals.
- **Estate planning** – Beneficiaries will not pay taxes at the point of inheritance, but are subject to required minimum distributions, which are taxable.

We chose a traditional IRA

Age: 48

Filing status: Married

Modified adjusted gross income: $152,000

"We picked a traditional IRA to complement my husband's employer plan. Our traditional IRA allows us to deduct the contribution on our tax return – a definite advantage."

Benefits of a Roth IRA

- **Tax-free growth** – Earnings are tax-free if you (1) delay withdrawals until at least five years after the first contribution made to a Roth IRA set up for your benefit, and (2) you're at least age 59½, disabled or using the money for a first-home purchase ($10,000 lifetime limit).
- **Liquidity** – Contributions to your Roth IRA can be withdrawn tax-free at any time, although earnings will be taxable if the withdrawal doesn't meet certain conditions. The withdrawal may also be subject to an early withdrawal penalty unless you met an exception.
- **Delay withdrawals as long as you like** – You are not required to make minimum withdrawals during your lifetime. This gives you the ability to leave money in your IRA, which means your assets can continue to grow tax-free.
- **Estate planning** – Your IRA beneficiaries receive the inheritance without having to pay income taxes but are subject to required minimum distributions. However, distributions (both earnings and contributions) from the inherited IRA will not be taxable if it is a "qualified" distribution.

I chose a Roth IRA

Age: 38

Filing status: Single

Modified adjusted gross income: $88,000

"Although I could take a tax deduction for a traditional IRA, I'm going with a Roth because I like the idea of taking tax-free distributions when I reach age 59½.* Who knows how high federal income taxes will be by the time I retire?"

* Distributions are tax-free as long as you're age 59½ or older and it's been at least five years since the first Roth contribution was made. (Refer to "Withdrawals" on page 6.)

IRA contribution limits

	If younger than age 50	If age 50 or older
2023	$6,500	$7,500
2024	$7,000	$8,000

Future contribution limits may be adjusted for cost-of-living increases. Contributions for the current tax year must be made by April 15 of the following year, unless April 15 falls on a Saturday, Sunday or legal holiday. In those cases, the due date is delayed until the next business day.

2 | Determine your eligibility for IRAs

What's your MAGI?

Your **modified adjusted gross income (MAGI)** is used to determine your eligibility to claim deductions for traditional IRA contributions and determines how much you may directly contribute to a Roth IRA. MAGI is calculated by subtracting certain expenses and allowable adjustments from your gross income.

You can find more information below and on page 5. To determine your MAGI, review your most recent IRS income tax filing or contact your tax advisor.

Cutting to the chase

- You may contribute money to a traditional IRA each year as long as you have earned income from employment.
- However, your ability to deduct contributions to a traditional IRA will depend on whether you participate in a retirement plan at work, your tax filing status and your MAGI.
- Your ability to contribute to a Roth IRA depends on your household income. (For more details, refer to the chart at the bottom of page 5.)

Traditional IRA tax deductibility

If you **are covered by a retirement plan at work**, use this table:

If your filing status is ...	And your MAGI for 2023 is ...	And your MAGI for 2024 is ...	Then you can take...
Single or **head of household**	$73,000 or less	$77,000 or less	full deduction
	$73,0001–$82,999	$77,001–$86,999	partial deduction
	$83,000 or more	$87,000 or more	no deduction
Married filing jointly or **qualifying widow(er)**	$116,000 or less	$123,000 or less	full deduction
	$116,001–$135,999	$123,001–$142,999	partial deduction
	$136,000 or more	$143,000 or more	no deduction
Married filing separately	$9,999 or less	$9,999 or less	partial deduction
	$10,000 or more	$10,000 or more	no deduction

Traditional IRA tax deductibility

If you **are not covered by a retirement plan at work** (a spouse or married partner could be covered), use this table:

If your filing status is ...	And your MAGI for 2023 is ...	And your MAGI for 2024 is ...	Then you can take ...
Single, head of household or **qualifying widow(er)**	any amount	any amount	full deduction
Married filing jointly or **separately** with a spouse who is not covered by a plan at work	any amount	any amount	full deduction
Married filing jointly with a spouse who is covered by a plan at work	$218,000 or less	$230,000 or less	full deduction
	$218,001–$227,999	$230,001–$239,999	partial deduction
	$228,000 or more	$240,000 or more	no deduction
Married filing separately with a spouse who is covered by a plan at work	$9,999 or less	$9,999 or less	partial deduction
	$10,000 or more	$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 IRA eligibility

If you **are interested in a Roth IRA,** use this table to find out if you're eligible and, if you are, how much you can contribute:

If your filing status is ...	And your MAGI for 2023 is ...	And your MAGI for 2024 is ...	Then you can contribute ...
Single, head of household, or **married filing separately,** and you did not live with your spouse at any time during the year	$137,999 or less	$145,999 or less	full contribution
	$138,000–$152,999	$146,000–$160,999	reduced amount
	$153,000 or more	$161,000 or more	nothing/not eligible
Married filing jointly or **qualifying widow(er)**	$217,999 or less	$229,999 or less	full contribution
	$218,000–$227,999	$230,000–$239,999	reduced amount
	$228,000 or more	$240,000 or more	nothing/not eligible
Married filing separately, and you lived with your spouse at any time during the year	$9,999 or less	$9,999 or less	reduced amount
	$10,000 or more	$10,000 or more	nothing/not eligible

3 | Comparing IRA options

This side-by-side chart provides a comparison of each IRA option and the various factors you should keep in mind. For additional information about distributions, tax treatments and more, refer to *IRS Publication 590-A* and *IRS Publication 590-B*.

<table>
<tr><th></th><th>Traditional IRA</th><th>Roth IRA</th></tr>
<tr><td>Annual tax credit</td><td colspan="2">The maximum is 50% of your annual contribution, not to exceed $2,000, so long as your household income doesn’t exceed certain limits.</td></tr>
<tr><td>Tax advantages</td><td>Earnings, until withdrawn, grow tax-deferred.</td><td>Earnings grow tax-deferred and can be withdrawn tax-free if certain conditions are met. Details below.</td></tr>
<tr><td rowspan="2">Withdrawals</td><td>Withdrawals are taxable and those made before age 59½ are subject to a 10% federal tax penalty unless the IRA owner is disabled or qualifies for an exception, including but not limited to the following:
• Taken as substantially equal periodic payments
• Used for one of the following payments or purchases:
– Certain unreimbursed medical bills
– Health insurance premiums during unemployment lasting at least 12 weeks
– Qualified education expenses
– Qualified first-time homebuyer (up to $10,000)
– Birth or adoption expenses (up to $5,000)
• Payments after owner’s death (i.e., taken by beneficiaries)</td><td>Qualified withdrawals are tax-free and penalty-free, if the withdrawal is made at least five years after the first contribution was made to a Roth IRA set up for your benefit, and the IRA owner meets one of the following conditions:
• Age 59½ or older
• Disability
• First-time homebuyer*
If these conditions are not met, earnings are taxable and may be subject to a penalty, unless an exception applies. (Refer to the traditional IRA “Withdrawals” section on the left.)</td></tr>
<tr><td colspan="2">Withdrawals made by beneficiaries are not subject to the 10% early withdrawal tax penalty. In addition, if the first Roth contribution was made at least five years earlier, these withdrawals aren’t subject to taxes either.</td></tr>
<tr><td>Age limit for contributions</td><td>Contributions can be made as long as the owner has earned income at the end of the calendar year for which it is being made.</td><td>None, as long as the IRA owner’s income meets the annual eligibility requirements.</td></tr>
<tr><td rowspan="2">Required minimum distributions (RMDs)</td><td>Must begin taking RMDs no later than April 1 of the year following the year in which the owner reached age 73.</td><td>Not required during the Roth IRA owner’s lifetime.</td></tr>
<tr><td colspan="2">For beneficiaries, distribution rules vary depending on the age of and relationship to owner at death.</td></tr>
<tr><td>Taxability of retirement plan rollovers</td><td>May roll any non-Roth portion of a retirement plan account into a traditional IRA without tax consequences.</td><td>• Rolling the non-Roth portion of a retirement plan account into a Roth IRA is a taxable event, but the amount is not subject to a 10% early withdrawal penalty.
• Rolling over the Roth portion isn’t a taxable event.</td></tr>
</table>

Key IRA age milestones and tips

Catch-up contributions	Penalty-free withdrawals	Take your RMDs
Age 50	**Age 59½**	**Age 73**
Starting at age 50, your annual contribution limit increases, enabling you to put more money into an IRA.	Once you turn 59½, you are permitted to withdraw funds from your IRAs without incurring a penalty, even if you are still working.	You must begin taking RMDs from your traditional IRAs upon reaching age 73, whether or not you have actually retired from work.

* In accordance with IRS qualification requirements.

4 | Other considerations

Can I convert a traditional IRA to a Roth IRA?

Yes, you may convert a traditional IRA to a Roth IRA regardless of your income or tax-filing status. A Roth conversion may be worth considering if you:

- Can leave the money in the account for at least five years after your first contribution and not withdraw assets until you reach age 59½.
- Expect your tax rate to rise in the future and, as a result, would rather pay income taxes now.
- Can pay the resulting income taxes from a source other than the IRA so that the full amount of the traditional IRA goes into the Roth IRA. You may be able to offset the tax due on the conversion if you have other losses or deductions on your tax return.

Could I be eligible to contribute to both types of IRAs?

Yes, as long as you meet eligibility rules for both traditional and Roth IRAs, and your combined contribution doesn't exceed the annual contribution limits shown on page 3. An advantage of investing in both a tax-deferred account (such as a 401(k) plan or a traditional IRA) and a tax-free account (such as a Roth IRA) is that you'll gain the flexibility to choose which account to make withdrawals from during retirement as your tax rate rises or falls.

Does having multiple IRAs affect the amount that is considered taxable on a Roth IRA conversion?

Yes. Even if all of the assets are not converting, the IRS requires that the tax calculation accounts for the value of all your IRA assets owned on December 31 of the conversion year. Taxable amounts converted are treated as taxable income; consult a tax advisor for your specific scenario.

Should I withdraw money from my IRA before I retire?

In moments of stress, reaching for the easiest solution is often attractive, but not always wise. While financial circumstances may require you to take a withdrawal from your IRA, doing so can carry a penalty and additional taxes. So, before you take an early withdrawal, review the following considerations:

- Is this a financial emergency?
- Have you considered other financial sources?
- What impact will it have on your long-term retirement savings program?

Is your beneficiary designation up to date?

Who will inherit your IRA account? Some investors forget to name a beneficiary or update an obsolete designation. In the event you fail to name a beneficiary, the IRA agreement explains how your account will be distributed.

Are you on track for retirement?

To help, we encourage you to:

- ☐ Review your quarterly statements.
- ☐ Check in with your financial professional at least once a year.
- ☐ Discuss with your financial professional whether you're still eligible to contribute to your IRA.

Ready? Set? Go!

Now that you know more about IRAs and the powerful role one or more could play in your financial well-being during retirement, it may be time to consider opening an IRA with Capital Group. Contact your financial professional today to get started.

The Capital Advantage®

Since 1931, Capital Group, home of American Funds, has helped investors pursue long-term investment success. Our consistent approach — in combination with The Capital System™ — has resulted in superior outcomes.

Aligned with investor success

We base our decisions on a long-term perspective, which we believe aligns our goals with the interests of our clients. Our portfolio managers average 28 years of investment industry experience, including 22 years at our company, reflecting a career commitment to our long-term approach.[1]

The Capital System

The Capital System combines individual accountability with teamwork. Funds using The Capital System are divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. An extensive global research effort is the backbone of our system.

American Funds' superior outcomes

Equity-focused funds have beaten their Lipper peer indexes in 84% of 10-year periods and 97% of 20-year periods.[2] Relative to their peers, our fixed income funds have helped investors achieve better diversification through attention to correlation between bonds and equities.[3] Fund management fees have been among the lowest in the industry.[4]

[1] Investment industry experience as of December 31, 2023.

[2] Based on Class F-2 share results for rolling monthly 10- and 20-year periods starting with the first 10- or 20-year period after each mutual fund's inception through December 31, 2023. Periods covered are the shorter of the fund's lifetime or since the comparable Lipper index inception date (except Capital Income Builder and SMALLCAP World Fund, for which the Lipper average was used). Expenses differ for each share class, so results will vary. Past results are not predictive of results in future periods.

[3] Based on Class F-2 share results as of December 31, 2023. Thirteen of the 18 fixed income American Funds that have been in existence for the three-year period showed a three-year correlation lower than their respective Morningstar peer group averages. S&P 500 Index was used as an equity market proxy. Correlation based on monthly total returns. Correlation is a statistical measure of how a security and an index move in relation to each other. A correlation ranges from -1 to 1. A positive correlation close to 1 implies that as one moved, either up or down, the other moved in "lockstep," in the same direction. A negative correlation close to -1 indicates the two have moved in the opposite direction.

[4] On average, our mutual fund management fees were in the lowest quintile 55% of the time, based on the 20-year period ended December 31, 2023, versus comparable Lipper categories, excluding funds of funds.

Class F-2 shares were first offered on August 1, 2008. Class F-2 share results prior to the date of first sale are hypothetical based on the results of the original share class of the fund without a sales charge, adjusted for typical estimated expenses. Results for certain funds with an inception date after August 1, 2008, also include hypothetical returns because those funds' Class F-2 shares sold after the funds' date of first offering. Refer to **capitalgroup.com** for more information on specific expense adjustments and the actual dates of first sale.

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.

Capital Group manages equity assets through three investment groups. These groups make investment and proxy voting decisions independently. Fixed income investment professionals provide fixed income research and investment management across the Capital organization; however, for securities with equity characteristics, they act solely on behalf of one of the three equity investment groups.

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