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## DIFFERENT TYPES OF IRAS

### 1. Traditional IRAs

- For 2020 the maximum contribution for individuals under 50 is \$6,000 and for individuals over 50 is \$7,000.
- No income limits to contributions if not participant in retirement plan.
- If you are in a plan, income phase out at \$117,000 to \$132,000 (single) and \$184,000 to \$194,000 (married if filing jointly).
- Contributions are pre-tax.
- Investments grow tax deferred. Ordinary income tax on withdrawals.
- There is a 10% penalty if funds are withdrawn before 59½.
- Required Minimum Distributions beginning at age 70½ (including year of owner's death).
- IRAs are exempt from bankruptcy up to \$1,283,025.
- IRAs are exempt from creditors pursuant to the laws of the state where the IRA owner lives. Nevada's exemption amount is \$1,000,000.
- Contributions are due by the date income tax returns are filed, not including extensions.

### 2. Roth IRA

- For 2020 the maximum contribution for individuals under 50 is \$6,000 and for individuals over 50 is \$7,000.
- Contributions phase out based on AIG: \$122,000 to \$139,000 (single) and \$193,000 to \$206,000 (married if filing jointly).

- Withdrawals of actual contributions are tax free at any age.
- Withdrawals of earnings are subject to a 10% penalty if under the age of 59½ .
- At age 59½ and older if account is at least 5 years old, no tax on withdrawal of earnings. If not 5 years, there will be taxes, but no penalties.
- Do not ever request a check when transferring an IRA to another IRA or Roth. If you do, you have 60 days to deposit as a non-taxable rollover. You can do this once a year. If direct transfer from accounts, no time limit.
- Contributions are due by the date income tax returns are filed, not including extensions.

### 3. SEP IRA

- The maximum contribution is \$57,000 based on 25% of compensation up to \$285,000.
- Contributions can be made by the date the tax returns are filed, including extensions.

### 4. SIMPLE IRA

- For individuals under 50 years of age, the maximum contribution is \$13,500 and for individuals over 50 years of age, the maximum contribution is \$16,500.
- Contributions for both are due by 12/31 for employee and 4/15 for employer.
- SEPs and Simple IRAs are considered ERISA plans and receive unlimited bankruptcy exemption, but there are no other employees (like a retirement plan) so they receive NO creditor protection (not pursuant to Federal or state law).
- Contributions can be made by the date the tax returns are filed, including extensions.

### 5. PROFIT SHARING PLAN

- The maximum contribution is \$57,000 based on 25% of compensation up to \$285,000.
- Contributions are made by employer.

- 100% bankruptcy exemption and 100% federal protection from creditors so long as there is at least 1 employee other than the owner/owner's spouse (ERISA) (except for IRS liens and QDROs).
- Withdrawals after 59½, subject to ordinary income tax.
- Most people rollover IRA when retire from employer.
- Rollover IRAs continue to receive unlimited bankruptcy protection, but creditor protection is pursuant to state law for IRAs.
- Contributions can be made by the date the tax returns are filed, including extensions.

6. 401K

- The maximum contribution is \$19,500 for individuals under 50 years of age and \$26,000 for individuals over 50 years of age.
- Unlimited bankruptcy protection.
- Unlimited creditor protection (except IRS liens and QDROs).
- Same rules for withdrawals as profit sharing plan.
- Employee's contributions are made as they are withdrawn from paychecks.
- Employer's contributions can be made by the date the tax returns are filed, including extensions.