

Save more with our IRA options.

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Eastern Time

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Although 401(k) plans, company pension plans and Social Security benefits are good places to start, a Navy Federal Individual Retirement Arrangement (IRA) can help boost your retirement savings while providing additional earnings and tax benefits.

You may obtain further information on IRAs from the Internal Revenue Service (IRS) publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, and 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, by calling 1-800-829-3676 or by visiting irs.gov.

Traditional and Roth IRAs

Both Traditional and Roth IRAs are terrific retirement savings plans that offer unique tax benefits. Traditional IRAs are tax-deferred—you don't pay taxes on your contributions until you withdraw the funds. The reverse is true with Roth IRAs—you pay taxes now, then you may withdraw the funds tax-free.

General Rules and Regulations for Traditional and Roth IRAs

Keep the following guidelines in mind when determining which IRA is best for you:

- > You can have both a Traditional and a Roth IRA. You can split your annual contributions between your IRAs, but the contributions in total cannot exceed the annual contribution limit.
- > You must have earned income to contribute to an IRA.
- > Earned income includes wages, salaries, tips, self-employment income and other amounts that appear in Box 1 on your W-2.
- > Earned income doesn't include earnings and profits from property rental, interest, pension, or annuity payments, and any other amounts that are excluded from income.
- > You may make contributions for the prior year up to the tax filing date, not including extensions (for most individuals).

- > You may make a maximum annual contribution of up to 100% of your earned income or the amount listed in the chart at the bottom of this page, whichever is less.
- > For Traditional IRAs, you may begin taking qualified distributions at age 59½, and for Roth IRAs, you must also meet the five-year rule.
- > IRA accounts are individually owned and aren't eligible for joint ownership. However, you may designate (a) beneficiary(ies).
- > If your spouse is unemployed, married couples who file a joint federal tax return may contribute to a spousal IRA.
- > You must take Required Minimum Distributions (RMDs) from your Traditional IRA at age 70½ and older. There are no RMDs for Roth IRAs.

Simplified Employee Pension (SEP) IRAs

If you're self-employed (or work for a participating employer), a SEP plan may be the ideal way to save for your retirement.

- > It can be funded by both employer and employee.
- > You may make a maximum annual contribution for 2018 of 25% of compensation or up to \$55,000, whichever is less.
- > You must take RMDs from your SEP plan at age 70½ and older.
- > You can make contributions after turning 70½ (during RMD status), as long as you continue to have compensation.

Roth and Traditional IRAs—Individual and Spouse Maximum Contributions

| Years | Less than age 50 | Age 50 or over |
|---------------|---------------------|---------------------|
| 2017 | \$5,500 | \$6,500 |
| 2018 | \$5,500 | \$6,500 |
| 2019 & beyond | Index for inflation | Index for inflation |

Traditional, Roth and SEP IRA Comparison Chart

| Feature | Traditional IRA | Roth IRA | SEP IRA |
|---|--|---|---|
| Adjusted Gross Income Eligibility | Almost everyone with earned income may participate | Individuals earning 2017—\$118,000 or less 2018—\$120,000 or less Married couples earning 2017—\$186,000 or less 2018—\$199,000 or less | Almost everyone who has self-employed earned income. An employer who has elected to establish a SEP as the pension plan for an employee who is a Navy Federal member. |
| Maximum Annual Contribution (Funds may be split between Traditional and Roth) | Tiered by age Varies by year <i>See chart on page 1</i> | Tiered by age Varies by year <i>See chart on page 1</i> | 2017—\$54,000 or 25% of self-employment income, whichever is less 2018—\$55,000 or 25% of self-employment income, whichever is less 2019 & beyond—Index for inflation |
| Maximum Age to Make Contributions | Year in which you turn 70½ Must have earned income | None Must have earned income | None Must have earned income |
| Non-Wage Earning Spousal Contributions | Same as wage earner | Same as wage earner | Same as wage earner |
| Tax Deductibility of Contributions <i>See chart on page 3</i> | Up to 100%, depending on Modified Adjusted Gross Income and participation in an employer-sponsored pension plan, such as a 401(k) | Cannot deduct contribution | May be tax-deductible, based on specific eligibility rules |
| Tax Treatment of Dividend Earnings | Grow tax-deferred until withdrawn | Grow tax-free | Grow tax-deferred until withdrawn |
| Taxes Upon Withdrawal | All non-deductible contributions are received tax-free. All earnings and deductible contributions are taxed at ordinary income tax rate. | None, unless early distribution | All non-deductible contributions are received tax-free. All earnings and deductible contributions are taxed at ordinary income tax rate when withdrawn. |
| Withdrawal Restrictions | Most withdrawals before age 59½ result in IRS penalties. Some exceptions are made for: <ul style="list-style-type: none"> > unreimbursed medical expenses > disability or death > first-time home purchases (\$10,000 lifetime limit) > IRS levy > qualified reservists > college expenses | IRS penalty-free withdrawal after age 59½, as long as the money has been in the account for five years. Penalty-free and tax-free withdrawals prior to age 59½ if the funds are used for: <ul style="list-style-type: none"> > disability > death > first-time home purchases (\$10,000 lifetime limit) | Most withdrawals before age 59½ result in IRS penalties. Some exceptions are made for: <ul style="list-style-type: none"> > unreimbursed medical expenses > medical insurance premiums while unemployed > disability or death > first-time home purchases (\$10,000 lifetime limit) > qualified reservists > college expenses |
| Age at Which Withdrawals Must Begin | 70½ | None | 70½ |

Traditional and SEP IRA Deductibility Chart

| Participate in an employer-sponsored pension plan?* | Marital Status: Single | Marital Status: Married Filing Jointly | Deductibility |
|---|---|--|--|
| Yes | Modified Adjusted Gross Income is \$63,000 or less | Combined Modified Adjusted Gross Income is \$101,000 or less | Your contributions are 100% tax-deductible |
| Yes | Modified Adjusted Gross Income is more than \$63,000 but less than \$73,000 | Combined Modified Adjusted Gross Income is more than \$101,000 but less than \$121,000 | A portion of your contribution is deductible, based on your Modified Adjusted Gross Income |
| Yes | Modified Adjusted Gross Income is \$73,000 or more | Combined Modified Adjusted Gross Income is \$121,000 or more | You cannot take an IRA tax deduction |
| No | Modified Adjusted Gross Income is not applicable | Modified Adjusted Gross Income is not applicable | Your contribution is 100% tax-deductible |

*You "participate" in an employer-sponsored pension plan if you're on the current (as opposed to retired) payroll and are accruing benefits under the employer's "qualified" pension plan, such as a 401(k) or Thrift Savings Plan (TSP). This is true regardless of whether you're vested or make contributions to the plan.

Note: One spouse's active participation in an employer-sponsored pension plan doesn't affect the other spouse's status for contribution deductibility.

Roth IRA Contribution Eligibility

| Marital Status | Modified Adjusted Gross Income** | Contribution Eligibility |
|------------------------|--|---|
| Single | Less than \$120,000 | Maximum contribution limit or 100% of earned income, whichever is less. |
| Single | At least \$120,000 but less than \$135,000 | A portion of the maximum contribution or 100% of earned income, whichever is less. |
| Single | \$135,000 or more | You can't contribute to a Roth IRA. (You're eligible to contribute to a Traditional IRA.) |
| Married Filing Jointly | Less than \$189,000 combined | Maximum contribution limit or 100% of earned income, whichever is less. |
| Married Filing Jointly | At least \$189,000 but less than \$199,000 | A portion of the maximum contribution or 100% of earned income, whichever is less. |
| Married Filing Jointly | \$199,000 or more combined | You can't contribute to a Roth IRA. (You're eligible to contribute to a Traditional IRA.) |

**Modified Adjusted Gross Income is determined on your tax return using your Adjusted Gross Income, disregarding any deductible IRA contribution.

Moving Your IRA Funds

Moving retirement funds from another financial institution to a Navy Federal IRA is simple and may be accomplished by one of the following:

Direct Transfer

Generally, a Direct Transfer is the easiest way to move assets from one IRA to another between two separate financial institutions. The transaction is neither taxable nor reportable and is completed by the distributing and receiving financial organizations.

To initiate the Direct Transfer, ask the receiving financial institution (where the funds will be transferred) to generate and forward the required forms to the financial institution that currently holds your IRA funds. Upon receipt of your completed forms, the existing institution will send the requested funds to the receiving institution. This process takes approximately two to four weeks.

Direct Rollover

Consider a Direct Rollover if you leave a job where you participated in an employer pension or profit-sharing program, like a 401(k) or Thrift Savings Plan (TSP), and want to move your funds into an IRA.

To do this, speak to your company's Plan Administrator, who can help you complete the necessary forms. Once completed, the administrator will distribute the assets to your IRA. This transaction is reportable as a distribution from the existing institution, and it will be reported as a rollover by the receiving institution. Your Plan Administrator will be able to provide you with an estimated time frame for this process.

Rollover

A rollover (also known as an Indirect Rollover) is a tax-free distribution of all or part of your IRA assets. Since you take possession of the IRA assets, the movement is reportable to the IRS.

You may move your funds from one retirement plan to another or from one financial institution to another. However, you may make only one rollover to another financial institution during a 12-month period. The rollover must be completed within 60 calendar days of the date you receive the distribution. Additionally, you're responsible for ensuring that the funds get from one IRA to another.

Effective Jan. 1, 2015, the IRS will allow IRA owners to make only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs owned.

Conversion

A conversion allows you to move funds from a Traditional or SEP IRA into a Roth IRA. Conversions follow the same rules as rollovers, except assets can be converted more than once a year.

You're required to report the previously deducted contributions and dividends that you're converting as income since they haven't been taxed.

In addition, if you withdraw any of the converted assets within the first five years following your conversion, you'll pay a 10 percent penalty on that amount, regardless of age. Conversions are reported as a distribution from the Traditional IRA and as a conversion to the Roth IRA.

Recharacterization

Recharacterization allows you to "unconvert" a Roth IRA, returning it to a Traditional IRA without IRS penalties. (You may also recharacterize a conversion from a SEP and employer pension/profit-sharing plan.) Recharacterization follows the same process as a conversion; however, as with a rollover, you may only recharacterize assets once per calendar year.

Recharacterization may also include recharacterizing a contribution made during the current year. For example, if you made a contribution to a Traditional IRA and then discovered that the contribution was non-deductible, you may choose to recharacterize the contribution to a Roth IRA. This recharacterization must be done before the tax filing deadline, plus extensions.

Contributions

You may make contributions to your Navy Federal IRAs at any time. All funds will be credited for the current tax year unless otherwise specified. Contributions that exceed the maximum annual limit may be subject to a six percent IRS excess contribution penalty and applicable income tax and interest. You may avoid the IRS penalty if the excess is removed prior to your tax filing date. To make a contribution, go to navyfederal.org, call 1-888-842-6328 or visit your local branch. Please see the table on page 6 for product options.

Withdrawing Your IRA Funds

You may begin taking normal distributions from your Traditional IRA at age 59½, and from the Roth IRA, you must also meet the five-year rule. IRA distributions are subject to a required minimum 10 percent federal tax withholding unless otherwise specified. IRA distributions before age 59½ are subject to federal income taxes and possible IRS penalties.

Insurance on Your IRAs

Your IRAs are federally insured by the National Credit Union Administration (NCUA) for up to \$250,000 for combined balances in your Navy Federal Traditional, SEP and Roth IRA plans. This coverage is separate from your other Navy Federal accounts.

Beneficiary Information

When opening your IRA, be sure to establish your beneficiary(ies). You may establish your beneficiary(ies) by logging into digital banking or by completing a Navy Federal Change of Beneficiary Form 584.

Additional Information

For additional information or to open a Navy Federal IRA, go to navyfederal.org, call 1-888-842-6328 or visit your local branch.

| Product | Minimum | Dividend Rate | Term | Additional Deposits* | Dividend Payments |
|--|--|---|---|---|--------------------------------------|
| IRA Savings Account | None | Fixed rate, no matter what the account balance is | None | Any amount, anytime | Compounded monthly, credited monthly |
| IRA Money Market Savings Account | None | Tiered rate structure. Rates may change weekly. Higher rates are earned on higher balances: \$0-\$9,999** \$10,000-\$24,999 \$25,000-\$49,999 \$50,000 and over **No dividends are earned/accrued on days when the account balance falls below \$2,500. | None | Any amount, anytime | Compounded monthly, credited monthly |
| Jumbo IRA Money Market Savings Account | None | Tiered rate structure. Rates may change weekly. Higher rates are earned on higher balances: \$0-\$99,999 \$100,000 and over** **Must maintain a daily balance of \$100,000 to earn the Jumbo IRA Money Market Savings Account dividend; otherwise, earn the current IRA share dividend rate. | None | Any amount, anytime | Compounded monthly, credited monthly |
| IRA EasyStart SM | \$100 | Rates set by the Board of Directors. Rate guaranteed for the entire term of product. | 12 months | Additional deposits may be made at any time | Compounded daily, credited monthly |
| Variable Rate IRA Certificates | \$500 | Rate set the first Monday of the month. Rate adjusts each year on the anniversary dates (12 and 24 months). | 3 years | Any amount can be added on the certificate's first and second anniversary dates | Compounded daily, credited monthly |
| IRA Certificates | \$1,000 \$10,000 \$20,000 \$50,000 \$100,000 | Generally, higher rates are paid for certificates with longer maturities. Rates set by the Board of Directors. Rate guaranteed for the entire term of product. | 3 months 6 months 9 months 12 months 18 months 24 months | At renewal | Compounded daily, credited monthly |
| IRA Certificates | \$1,000 \$10,000 \$20,000 \$50,000 \$100,000 | Generally, higher rates are paid for certificates with longer maturities. Rates set by the Board of Directors. Rate guaranteed for the entire term of product. | 3 years 4 years 5 years 6 years 7 years | At renewal | Compounded daily, credited monthly |

*Contribution limits apply. See chart on page 1 for maximum annual contribution amounts.