

Financial Advisor James McEnerney Answers Your IRA FAQs

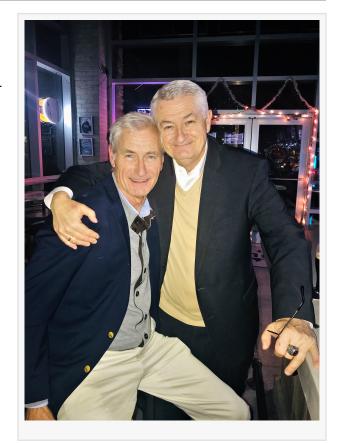
KANSAS CITY, KS, UNITED STATES, March 11, 2020 /EINPresswire.com/ -- Have you recently entered the workforce? Or maybe you are established in your career but worried that your employer-sponsored retirement fund isn't going to be adequate. An IRA, or individual retirement account, might be just the ticket. But what exactly is this, how does it work, and what type is right for you?

<u>James McEnerney</u> is Director of Marketing at The McEnerney Group. We spoke to him about IRAs in order to bring you answers for some of the most frequently asked questions.

First Things First: What Is an IRA?

At its simplest, says James McEnerney, an IRA is a type of savings account. What distinguishes it from other accounts is that contributions to your IRA are made on a pre-tax basis. When you make a deposit into your IRA, you can subtract that amount from your taxable income for the year — and ergo, pay less tax as you save for your future.

What Other Advantages Are There?



Not only that, but the amount in your IRA will grow tax-deferred, explained James McEnerney. This means that taxes on interest and capital gains are deferred until the money is withdrawn. If you wait until retirement to withdraw your investment, you will probably be in a lower tax bracket. So in addition to saving yourself money now, you're also doing your future self a financial solid.

What Kind of IRA Should I Choose?

There are several different types of IRAs, <u>James McEnerney says</u>, and we'll tackle those in future blog posts. For now, we're looking at the traditional type, which is also the most common. Unless otherwise specified, most of the time when people talk about an IRA, they're talking about this kind.

Who Is Eligible to Open an IRA?

Anyone who is employed, but who does not have access to an employer-sponsored retirement plan such as a 401(k), is a good candidate for an IRA, says James McEnerney. These accounts can also be opened to augment a 401(k), but the tax deductions will change depending on your employment status and other retirement accounts.

Those who are self-employed can also open an IRA, as long as the money they invest is considered "earned income" — income from alimony, child support, rental income, unemployment, or dividends from investments do not qualify as earned income.

In order to open an IRA, you must also be younger than 70 and a half.

Are There Limits to the Amount I Can Invest in an IRA?

Yes. In 2020, you can contribute up to \$6,000 annually. If you are 50 years of age or older, the amount goes up to \$7,000, says James McEnerney.

What About My Spouse? Can They Contribute?

You must have earned income to contribute to an IRA, <u>explains James McEnerney</u>. However, if your spouse does not have earned income, but you two are legal married and file a joint tax return, you — as the income earner — can open a spousal IRA and contribute to it.

Where Do I Get One?

If you already have an account established with a brokerage or mutual fund company, you should speak with them about opening a traditional IRA. This is ideal, since you can also invest your IRA balance into stocks, bonds, mutual funds, and the like to create even more wealth. You may also be able to open an IRA with your local bank.

James L. McEnerney, Jr., Certified Financial Manager, has over 30 years' experience as a financial advisor with Merrill Lynch and is now part of The McEnerney Group, an independent family wealth management firm.

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