

Roth IRA Word Search — Retirement Terms

Answer Key

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■ 10 Terms & Definitions

<p>ROTH</p> <p>A Roth IRA is an individual retirement account funded with after-tax dollars — you pay taxes on contributions now, but all qualified withdrawals in retirement are completely tax-free, including all growth. Named after Senator William Roth who sponsored the 1997 legislation, the R</p>	<p>CONTRIBUTION</p> <p>A Roth IRA contribution is money you deposit into your account using after-tax income. For 2024, the maximum annual contribution is \$7,000 (\$8,000 if you're 50 or older). Unlike a 401(k), Roth IRA contributions are never tax-deductible — but that upfront tax payment is the price</p>
<p>INCOME</p> <p>Roth IRA eligibility depends on your modified adjusted gross income (MAGI). For 2024, single filers with MAGI above \$161,000 cannot make a full contribution, and are phased out entirely at \$176,000. Married couples filing jointly phase out between \$230,000 and \$240,000. High earn</p>	<p>WITHDRAWAL</p> <p>Roth IRA withdrawals follow two distinct rules. Contributions can be withdrawn at any time with no taxes or penalties — you already paid tax on them. Earnings are tax-free and penalty-free only after age 59½ and after the account has been open for at least 5 years (the "5-year ru</p>
<p>CONVERSION</p> <p>A Roth conversion is the process of moving money from a traditional IRA or 401(k) into a Roth IRA. The converted amount is added to your taxable income in the year of conversion, so you pay taxes now. In exchange, all future growth and qualified withdrawals are permanently tax-fr</p>	<p>GROWTH</p> <p>Tax-free growth is the Roth IRA's defining advantage. Every dollar earned inside a Roth — from dividends, interest, or capital gains — compounds without any annual tax drag. In a taxable account, gains are taxed each year, slowing compounding. The Roth IRA eliminates this drag en</p>
<p>BACKDOOR</p> <p>The backdoor Roth is a legal strategy allowing high-income earners who exceed Roth IRA income limits to still contribute. The process: make a non-deductible traditional IRA contribution, then immediately convert it to a Roth IRA. As long as there are no other pre-tax IRA funds, t</p>	<p>ROLLOVER</p> <p>A Roth rollover typically refers to moving funds from a Roth 401(k) into a Roth IRA. Direct rollovers avoid taxes and withholding. A key advantage is that Roth IRAs have no required minimum distributions, giving retirees complete control over when to take withdrawals — unlike tra</p>
<p>COMPOUND</p> <p>Compound growth inside a Roth IRA is uniquely powerful because there is no tax drag on the compounding. Every year, investment returns generate their own returns — and because Roth withdrawals are tax-free, the entire compounded amount is yours to keep. Starting early amplifies t</p>	<p>BENEFICIARY</p> <p>A Roth IRA beneficiary is the person who inherits the account upon the owner's death. Because Roth IRAs have no required minimum distributions for the original owner, they can be passed on with the full account value intact. Inherited Roth IRAs must generally be fully distributed</p>