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FINANCIAL ADVICE

## Smart Investing

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### SMART INVESTING

Your plan to retiring in style

LAUREN A. GREENE

#### 4. Open an IRA

Another way to gain valuable tax advantages is to set up an individual retirement account (IRA). This is an ideal choice if your company doesn't offer a plan or if you're self-employed; however, those who have a 401(k) can also take advantage of some of the benefits too.

Although you'll generally be hit with early withdrawal penalties, IRAs, unlike 401(k)s, offer certain exceptions when it comes to educational and medical expenses, or home-buying costs, such as down payments. The contribution limit for 2010 is \$5,000, says Kim Viscuso, a financial planner at Stonegate Wealth Management. She strongly recommends meeting that annual limit if you can swing it. There are several options to choose from. Consult a financial planner to determine the route you are eligible for based on your economic situation.

**Roth IRA:** A good bet for your twenties and thirties, this account offers tax-free growth. That means you won't owe the government when it comes time to cash out in retirement. Plus, there's more flexibility and opportunities for penalty-free withdrawals (as long as you don't withdraw any of the interest earned) should you need to dip in for a pre-retirement emergency.

**Traditional IRA (deductible):** New rules in effect for the Roth allow more people to qualify, says Serwin, but this is another valid alternative if you don't. Although you get tax-deferred growth (you'll pay taxes on your gains once you start to withdraw at the required age of 70½), your contributions may be deductible each year based on your financial circumstances.

**Traditional IRA (nondeductible):** Similar to the above, but your contributions are not tax deductible, making it the least attractive of the bunch. Opt for this only if you don't qualify for the other two.



Last updated: January 14, 2011 Issue date:

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