

## ICI VIEWPOINTS

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# Three Reasons Why You Should Consider an IRA

April 18 is the deadline to file income tax returns with the federal government this year. But tax day is also another important deadline: until that date, workers can make contributions to their individual retirement accounts (IRAs) for the previous year. IRAs offer a great tax-advantaged savings opportunity.

Here are three reasons why you should consider an IRA as a valuable tool for your retirement savings:

1. Traditional IRAs provide all workers—regardless of income—with access to tax incentives to save for retirement. Tax deferral can help you build a nest egg over time by putting off taxes on your investment earnings until you retire. Contributing to an IRA is a great way to invest and build retirement savings.
2. The flexible structure of IRAs provides Americans with choices when it comes to their retirement savings. For example, workers decide how much they want to contribute and when. Workers who are aged 49 and younger currently can contribute up to \$5,500 to their IRA; workers who are 50 or older can contribute up to \$6,500. IRA contributions can be made at any time during the year. And you're not limited to a traditional IRA. Workers who meet certain qualifications may decide to open a Roth IRA. Unlike traditional IRAs, workers pay tax when they make contributions into Roth IRAs, but pay no taxes on qualified withdrawals in retirement.
3. Workers can easily roll over their employer-sponsored 401(k) assets into an IRA upon leaving a job. Job changers who cash out their 401(k) may have to pay taxes on their assets, and possibly a penalty tax for early withdrawal. But these taxes and penalties can be avoided by rolling over 401(k) assets into an IRA, which is not tied to an employer and allows the individual to keep saving for retirement.

Today, Americans are increasingly using IRAs to grow and maintain their savings for retirement. As of 2015, more than 40 million U.S. households reported that they owned IRAs, according to "[The Role of IRAs in U.S. Households' Saving for Retirement, 2015](#)." Other research from ICI shows that Americans have [\\$7.3 trillion](#) invested in these accounts.

But IRAs are only one piece of our multilayered retirement-savings system. When IRA assets are combined with all other assets earmarked for retirement, Americans have set aside \$23.5 trillion. The various pieces of the entire system—including IRAs, employer-provided defined benefit and defined contribution plans, personal savings, and Social

Security—are working well for millions of workers. In fact, successive generations of near-retirees have reached retirement with higher wealth than the previous generation.

To learn more about IRAs and the strength of America's retirement system, visit [www.ici.org/retirement](http://www.ici.org/retirement).

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