IRA’s: Why, When & How Often?

A Traditional IRA is the term for a regular IRA available to those under age 70 ½ who have earned income (i.e., wages or self-employment income). Earnings within the traditional IRA grow tax-deferred until withdrawal.

You may be asking when you can withdraw funds from your IRA. The short answer is – anytime. This answer may surprise you, but it’s true. You need to be aware, however, of potential tax and penalty ramifications.

Age 59 ½ is the earliest you can begin taking distributions from your IRA without worrying about any penalties, just the taxes. There are some exceptions to the penalty rule if you are not yet 59 ½:

- Disability
- IRA Owner’s death
- First-time home purchase
- Medical expenses that exceed 7 ½% of adjusted gross income
- Medical insurance premiums if you are unemployed
- Higher education expenses for you or your eligible family members for the current year
- Back taxes because of an IRS levy
- Qualified Reservist Distributions while on active duty
- Conversion to a Roth IRA
- A series of “substantially equal periodic payments” made over your life expectancy

At age 70 ½ withdrawals must begin and will be taxed. These Required Minimum Distributions are due to begin no later than April 1 of the year following the year you reach age 70 ½ and are made annually based on a life expectancy factor. The IRS rules give you several choices for calculating the minimum you must take from your IRA. If required distributions are not taken at that age, a 50 percent excise tax penalty will be assessed on the amount not taken. If you have more than one IRA when you reach 70 ½, you must calculate the required minimum distribution amount for each separate IRA, but you can withdraw the entire sum from one account.

Remember, you always can withdraw money from your IRA, but you need to know the rules and regulations to determine when a distribution will be right for you.