CONSECO®
Step up.

Traditional IRA fact sheet

Traditional IRAs have been praised for their simplicity and ingenuity. More important, they give many Americans a new chance to put money away for the future. Traditional IRAs let you prosper in two ways. First, you can deduct your contributions from your income taxes. Second, they offer tax-free earnings. Think of IRAs as the tax advantage for the little guys!

Why are traditional IRAs so attractive?

Two words. Tax-deductible. If you're single, with an annual adjusted gross income (AGI) up to $44,000, you can contribute as much as $3,000 per year. And you can deduct it from your taxable federal income. If you file jointly with an AGI up to $64,000, you and your spouse can contribute—and deduct—up to $6,000 per year.

Everyone with earned income can contribute. However, if you are an active participant in a qualified plan, you lose your deduction if your AGI is above the limit. But if you and your spouse are not active participants, your deduction is permitted regardless of your AGI. If you are not an active participant, but your spouse is, your deduction may be limited if the AGI on your joint return exceeds $150,000.

Reduce taxes

When you reach the age of 59 1/2, you can take money from your IRA without an income-tax penalty. However, because you take your tax deduction upfront, withdrawals from a traditional IRA are not tax-free, though you may find yourself in a lower tax bracket when you retire.

In addition, before the age of 59 1/2, you can take money out of a traditional IRA without an income tax-penalty:

- For higher education—up to $10,000
- For your first home—up to $10,000
- If you die or become disabled

The future looks bright

Contribution limits for all ages will increase. In 2005, singles can put away $4,000. Married couples, $8,000. In 2008, singles reach $5,000 and married couples, $10,000.

You can play catch-up, too

If you or your spouse are aged 50 or older, you may each contribute an extra $500 per year through 2005. And after 2006, you may each contribute an extra $1,000 annually.

There are some restrictions

Don't wait. As long as you and your spouse continue to earn income, you can each contribute to the traditional IRA until the year in which you reach the age of 70 1/2. A regular IRA requires you to take distributions once you reach the age of 70 1/2.

Any taxable withdrawals made prior to the age of 59 1/2 may also be subject to a 10% federal income-tax penalty on the amount includable in income. Conseco Insurance Company is not a tax adviser. This guide is based on current tax law and is intended for general information only. Always consult your tax adviser regarding your personal situation and the effect of current tax legislation before you make a tax-related decision.

For more information about a traditional IRA, ask your agent or consult your tax adviser.

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