Sample article for organizations to use to reach customers (550 word count)

Customize and post the following article on your websites and/or use in other communication vehicles on ways your customers can invest in their financial future.

Invest In Your Future

For many of us, a tax refund offers a once-a-year opportunity to get additional money. While we spend most of the year sticking to our budgets as best we can, when we receive our tax refund, we may find ourselves with a large sum of money that we ordinarily don't have access to. And while catching up on bills, making repairs and having a little fun are all important, it's also important to remember that a tax refund presents an opportunity start saving or add to our existing savings.

When saving for the future, whether it is for your own retirement or for your children's educational needs, there are several tax-deferred ways to build for the future:

Individual Retirement Accounts (IRAs)

To help you save for your retirement, there are two particular accounts that you can use: the traditional IRA and the Roth IRA.

Traditional IRAs

The money you contribute to a traditional IRA grows tax-deferred, meaning that capital gains, dividends and interest generated in the account are not taxed each year. Instead, the gains remain in the account to allow for additional compounding – gains on your principal investment, gains on any growth of the account, and gains on money that you would have otherwise withdrawn to pay taxes. These gains, along with your contributions, only become taxable when you begin withdrawing money from your account. In addition to the benefits of tax-deferred growth, depending on your adjusted gross income, you may also be able to deduct your contribution to a traditional IRA from your taxable income.

Roth IRAs

A Roth IRA's features and benefits are a little different than the ones offered by a traditional IRA. You can't deduct your contributions to a Roth IRA from your taxable income, but the contributions along with the gains on those amounts grow tax-free. Unlike a traditional IRA, you do not have to pay tax on money you withdraw from a Roth IRA if you meet certain conditions (for example, you make the withdrawal after 5 years from when you first opened a Roth IRA and after you reach the age of 59½).

Coverdell Education Savings Account (ESA)

If your goal is to save for your children's future education needs, consider contributing to a Coverdell ESA. You can contribute up to $2,000 per child each year. Although you can't deduct your contributions to a Coverdell ESA, the funds in the account grow tax-free and withdrawals are not taxable as long as they are used for qualified education expenses and are less than the expenses incurred at an eligible institution.

If you're considering one of these or other options for investing in your future, you can find more details and assistance at www.IRS.gov, at most financial institutions or through a financial advisor.

References

- IRAs – information on traditional and Roth IRAs, including 2011 IRA contribution and deduction limits.
- Coverdell Education Savings Accounts – an explanation of how to set up an ESA, eligibility and deadline to make contributions, and more.
- Publication 970, *Tax Benefits for Education* – details on contributions, rollovers and transfers, and distributions from Coverdell ESAs.