

ROTH IRA WITHDRAWAL RULES & EXCEPTIONS

Quick Reference Guide

THE FUNDAMENTAL RULE

Category	Rule	Tax & Penalties
Contributions	Withdraw anytime, for any reason	✓ Tax-Free & Penalty-Free
Earnings	Must meet 5-Year Rule + Qualifying Event	Depends on conditions

THE FIVE-YEAR RULE

Your Roth IRA must be established for **at least 5 years** before earnings can be withdrawn tax-free. The clock starts on **January 1st of the tax year** for your first contribution to any Roth IRA.

Example: Contribute in April 2026 for 2025 tax year → Clock starts January 1, 2025 → Qualified distributions allowed January 1, 2030.

QUALIFIED DISTRIBUTION REQUIREMENTS

To withdraw earnings **tax-free and penalty-free**, BOTH conditions must be met:

✓ **Condition 1: Five-Year Rule is Met**

- Account has been open for at least 5 years

✓ **Condition 2: ONE of These Applies**

- Age 59½ or older
- Permanently and totally disabled
- First-time home purchase (up to \$10,000 lifetime)
- Distribution to beneficiary after death

WITHDRAWAL ORDERING (What Gets Withdrawn First)

- 1 **Regular Contributions** → Always tax-free & penalty-free
- 2 **Converted/Rollover Amounts** → May have 10% penalty if before 5-year period
- 3 **Earnings** → Subject to taxes & penalties if non-qualified

NON-QUALIFIED WITHDRAWALS (Penalties & Taxes)

If you withdraw earnings **before** meeting both the 5-year rule and a qualifying event:

Consequence	Amount
Ordinary Income Tax	Your tax bracket rate
Early Withdrawal Penalty	10% of earnings

Example: Withdraw \$5,000 (3K contributions + 2K earnings) at age 45, after 3 years:

- Contributions (\$3K): Tax-free & penalty-free ✓
- Earnings (\$2K): Taxable + \$200 penalty (10%) X

EXCEPTIONS TO THE 10% PENALTY

Even if under 59½ and non-qualified, you may avoid the 10% penalty for:

Exception	Details
First-Time Home Purchase	Up to \$10,000 lifetime limit
Qualified Education Expenses	Tuition, fees, books, room & board
Unreimbursed Medical Expenses	Exceeding certain % of AGI
Health Insurance Premiums	While unemployed
Permanent Disability	Totally and permanently disabled
Death	Distributions to beneficiaries
Birth/Adoption Expenses	Up to \$5,000 per child

Note: Even with exceptions, ordinary income tax on earnings may still apply.

ROTH CONVERSION RULES

Roth conversions have a **separate 5-year rule** for each conversion. Withdrawing converted amounts before the 5-year period ends may trigger a 10% penalty (unless an exception applies).

KEY TAKEAWAYS

- ✓ Your contributions are always accessible, tax-free, and penalty-free
- ✓ Earnings require both the 5-year rule AND a qualifying event for tax-free withdrawal
- ✓ Non-qualified earnings withdrawals face ordinary income tax + 10% penalty
- ✓ Multiple exceptions exist that may waive the 10% penalty
- ✓ Consult a tax professional for your specific situation

For more information, visit the Roth IRA Withdrawal Guide or consult with a qualified tax advisor.

This summary is for educational purposes only and does not constitute financial or tax advice.