Retirement Plans for Family Child Care Providers (2016)

I. Traditional IRA

* Can set aside up to $5,500 tax-deductible contribution per year ($6,500 if age 50 to 70- ½)
* Will pay tax on contributions and interest earned after age 59 ½
* 10% penalty for withdrawing contributions or interest before age 59 ½
* Can set up by April 15
* If you are single and covered by a retirement plan at work, you are eligible to contribute to an IRA if your adjusted gross income is less than $71,000 (married $118,000). If you are single and not covered by a retirement plan at work, you are eligible to contribute to an IRA regardless of your income. Married couples must have an adjusted gross income of less than $193,000.

II. Roth IRA

- Can set aside up to $5,500 (non-deductible) per year ($6,500 if age 50 to 70 1/2) -
- Can withdraw contributions tax free after 5 years
- Can withdraw interest tax free after age 59 1/2
- Minimum distribution rules at age 70 1/2 do not apply
- Cannot contribute more than $5,500 per person, per year to a Roth IRA or regular IRA or non-deductible IRA combined
- To contribute to a Roth you must earn less than $132,000 (unmarried) or $194,000 (married, filing jointly)

III. Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)

- Can set aside up to $12,500 (deductible) per year of net income ($2,500 more if age 50 or older)
- Operates like a regular IRA
- Must offer same plan to employees earning $5,000 in any of two preceding years
- 25% penalty for early withdrawal in first two years
- Cannot make contributions to a SIMPLE and SEP in same year
- Must set up 90 days before end of year
- No income level, everyone is eligible

IV. MyRA

- Operates like a Roth IRA
- Same eligibility requirements as a Roth IRA
- Can set up through direct deposit with government
- Initial contribution as low as $25 and subsequent contribution as low as $5
- No annual fees, investment is guaranteed not to lose money

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