June 23, 2011 - Some investments are appropriate during your working years, while others are more suitable for retirement. But a Roth Individual Retirement Account (IRA) can provide you with benefits at virtually every stage of your life. Let's take a quick "journey" through some of these stages to see just how valuable a Roth IRA can be.

To begin with, you can open a Roth IRA at any age, provided you have earned income and meet certain income limits. So if you're just starting out in your career, put as much as you can afford into your Roth IRA and gradually increase your contributions as your income rises, up to the contribution limit. A Roth IRA is an excellent retirement savings vehicle because it can grow tax free and your contributions can be invested into just about any investment you choose -- stocks, bonds, mutual funds, CDs and so on.

Of course, when you're young, you might not be thinking much about retirement. But the earlier you start contributing to a Roth IRA, the more you could end up with -- and the difference could be substantial. In fact, if you started putting money into a Roth IRA at age 30, and you contributed the maximum amount each year until you reached 65, you would accumulate more than $766,000, assuming you are in the 25% tax bracket and you earned a 7% return, compounded annually. But, given the same assumptions, you'd end up with only about $365,000 if you waited until 40 before you started contributing.

It clearly pays to contribute early and annually to a Roth IRA. (In 2011, the annual contribution limit is $5,000, or $6,000 if you're 50 or older.) There are additional benefits to funding a Roth IRA, such as its flexible withdrawal options, which are available to you even before you retire. Since you already paid taxes on the money you put into your Roth, you can withdraw your contributions at any time without paying taxes or penalties. Generally speaking, it's certainly best to leave your Roth IRA intact for as long as possible. But if there's an emergency and you need access to the funds, you can also withdraw your Roth's earnings tax free, provided you've held your account at least five years and you don't start taking withdrawals until you've reached 59.

Now, let's fast-forward to your retirement. Unlike other retirement accounts, such as a traditional IRA or a 401(k), your Roth IRA does not require you to start taking withdrawals at age 70 -- or ever. If you don't need the money, you can leave it alone, possibly to grow further, for as long as you like. This means that you might have more money to bequeath to your children or other beneficiaries, and they won't have to pay income taxes on withdrawals from either your contributions or your earnings, provided your Roth IRA account has been open for at least five years. Keep in mind, though, that your beneficiaries will be required to take distributions based on their life expectancy.

As you can see, a Roth IRA can be an excellent financial "traveling companion" as you go through life. So consider adding a Roth to your portfolio -- and bon voyage.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.