Morningstar Premium
Webinar Series

Top Ideas for Your IRA

12:00
Agenda

- What You Need to Know about IRA Contributions
- How to Improve Your IRA Portfolio
- Picks: Russ Kinnel, Ben Johnson, Sarah Bush, Daniel Rohr
What You Need to Know about IRAs: Contributions

- IRA contribution limits are as follows:
  - $5,500 (under 50)
  - $6,500 (over 50)
- Contribution limits the same for 2017 and 2018 tax years
- Contribution limits the same for Roth and traditional IRAs
- If you can’t swing a full contribution, you can still make a contribution!
- Age restrictions:
  - If over 70-1/2, cannot make contributions to a traditional IRA
  - Can contribute to a Roth IRA as long as you have earned income, regardless of your age
- Income limits apply to traditional deductible, Roth IRA contributions
- Anyone can contribute to a Roth via the backdoor, but check w/a tax advisor
What You Need to Know about IRAs: The Roth v. Traditional Decision

➤ Type 1: Traditional

➤ Tax treatment

➤ May be able to deduct contributions
➤ Tax-deferred compounding
➤ Pay ordinary income tax on distributions in retirement

➤ Type 2: Roth

➤ Tax treatment

➤ Cannot deduct contributions; put in after tax dollars
➤ Tax-free compounding
➤ No tax on distributions during retirement, assuming money in account for at least five years
➤ Can withdraw contributions at any time w/o taxes or penalties
Roth Versus Traditional Accounts: How Do You Decide?

- Income limits may decide for you
- If you can contribute to both, ask yourself: Do you need the tax break more now or later?
  - If now → Make traditional contributions (high income now, lower in retirement)
  - If later → Make Roth contributions (lower income now, higher income in retirement)
- No idea? Split contributions between both account types
How to Improve Your IRA: Check Up on Its Allocations

- Morningstar’s X-Ray functionality enables you to see how your portfolio is positioned.
- Can access X-Ray in one of two ways:
  - In Portfolio Manager on Morningstar.com, click on X-Ray tab:

![Portfolio Manager interface](image)

- **Asset Allocation**:
  - Cash: 28%, U.S. Stocks: 36%, Foreign Stocks: 7%, Bonds: 31%, Other: 2%, Not Classified: 0%
  - Total: 104%, Net: 100%

- **Stock Style Diversification**:
  - Valuation:
    - Value: 26, Core: 26, Growth: 25
    - Size: Large: 6, Med: 7, Small: 5
    - Credit Quality: Ltd: 12, Mod: 70, Ext: 0
  - Interest Rate Sensitivity:
    - Not Classified 2.78%
How to Improve Your IRA: Check Up on Its Allocations

➢ You can also gain access to X-Ray using Morningstar.com’s Instant X-Ray tool (on Tools tab of Morningstar.com)

Instant X-Ray

Welcome to Instant X-Ray

Pinpoint your portfolio’s strengths and weaknesses.

At a glance, understand the basic characteristics of your portfolio including its asset allocation, exposure to different investment styles, geographic regions, and sectors. Plus, easily analyze how well your holdings and expenses are adding up to meet your financial goals.

Save your portfolio and these results when you register for Morningstar.com—It’s Free & Easy. For more in-depth analysis about your portfolio become a Premium Member and utilize Portfolio X-Ray.

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<th>Ticker Symbol</th>
<th>Dollar Value $</th>
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<tr>
<td>Fidelity Contrafund</td>
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<td>Fidelity Short-Term Bond</td>
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<td>Vanguard International Growth</td>
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<td>Fidelity Low-Priced Stock</td>
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How Do You Know If Your Allocations Are on Track?

- Compare your allocations to:
  - Those of a good-quality target-date mutual fund for your retirement date
  - More equity-heavy portfolios appropriate for longer time horizons
- As retirement approaches:
  - Holding more bonds and cash can serve as a cushion against market declines
  - Helps ensure that you’re not selling when the market is falling
Also Check Your Portfolio’s Style Positioning, Sector Weightings

- X-Ray depicts your portfolio’s sector weightings relative to the S&P 500, as well as its investment-style positioning.
- Compare your portfolio’s investment style to a total market index fund for context.

![Holdings Style Diagram]

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<th>Growth</th>
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How to Improve Your IRA: Check Up on Individual Holdings

- Use Morningstar reports and ratings to check up on your holdings
- For stocks, pay attention to:
  - Star ratings
  - Moat ratings
  - Uncertainty ratings
- For mutual funds and exchange-traded funds, pay attention to:
  - Analyst (medalist) ratings
  - Expense ratios (the lower the better!)