

Best IRA

# Accounts OF 2019



The best IRA accounts aim to give the customer great investing options and low fees over a long-term horizon. Now is the best time to make your IRA contributions for the current tax season, and as a result, many of the top companies are competing for your business.

My top pick for the majority of people this year is E\*TRADE based on the ease of setting up and managing your IRA with very low fees. Right now you can get up to \$600 when you roll over an IRA to E\*TRADE.

Full disclosure: as some of you know, I am a former futures trader who manages both long term and short term money so I look at the world a bit differently for my personal use. My current investing strategy is to use both TD Ameritrade and Betterment.

I use TD Ameritrade as a little more robust platform to trade stocks and for my SEP IRA, I use Betterment for my long term money in my traditional IRA (At this time, I cannot get a SEP through Betterment). The "set it and forget it" approach of automated investing services, is better for my personality, especially in a rocky market.

The Simple Dollar's Picks for Best IRA Account in 2019

Many of the best IRA companies are the exact same places where you would open up an online stock trading account. These are all great choices, but I look at my retirement accounts (IRA, Roth IRA, 401k) with a different set of eyes. Where my retirement is concerned, I'm not actively trading - slow and steady with minimal hassle wins the race.

The best IRA Account for each individual will vary based on a host of factors as well as personal tastes, which is why we highlighted several different companies in this post.

Here are the best IRA account options for 2019:

**E\*TRADE**  
Best Overall: E\*TRADE

**TD Ameritrade**  
Best for Experienced Traders: TD Ameritrade

**Scottrade**  
Best for Beginners: Scottrade

**Betterment**  
Best for long-view investors: Betterment

**wealthfront**  
Best for long-view investors: Wealthfront

**ally**  
Cheapest option: Ally Invest

What Makes These the Best IRA Companies?

All of these companies offer a variety of resources beyond acting as a vehicle to establish an IRA account. All have low trading fees. Three of the companies have office locations where you can go in and talk to a live person. Two that don't (Betterment and Wealthfront) offer superior tools that can optimize your contributions, and keep you in line with your risk tolerance. Ally Invest also does not have offices, but it has cheaper fees and trading costs than the others.

- Access to a variety of investment products
- Several types of IRA accounts
- Introductory deals on rollovers or new accounts
- Access to quality support, research, and education

Since I already had a solid understanding of all the best online brokers, it was an easy transition into reviewing several of the same companies to determine the best Roth IRA and Traditional IRA account options. Below I go into more detail on each top pick.

Best Overall IRA Account: E\*TRADE

E\*TRADE is known as one of the all-around best brokers year after year because they offer access to every investment product and resource you could possibly need. E\*TRADE is loaded with information on how to rollover your IRA, complete an IRA conversion, or just open a new account.

Depending on how much you deposit or transfer, you can receive up to \$600 just for opening an account with E\*TRADE. With E\*TRADE, you can invest in over 8,000 mutual funds, and 1,300+ have no transaction fee. In some locations, there are E\*TRADE branches where you can talk to a live person, but there are only 28 locations nationwide.



5 Reasons to Open an E\*TRADE Account:



Wide range of investment choices



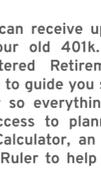
No account minimum



Access to extensive research (Morningstar, S&P, Credit Suisse) and professional guidance



Consistently maintains high rankings from Kiplinger's



Deposit \$10k or more and trade free for 60 days



The Main Reason Not to Go with E\*TRADE:

Trading commissions can be twice as much as some brokers

An E\*TRADE IRA is Best For:



Those who want a variety of investments in their IRA



Low-frequency traders



Long-term mutual fund investors

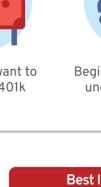


Best for Experienced IRA Traders: TD Ameritrade

TD Ameritrade is ranked as one of the best online brokers for trading and even investing long term. As a client, you have access to any resource you need, from banking services to advanced trading tools and trading platforms.

If all that isn't enough, you can receive up to \$600 when you rollover your old 401k. TD Ameritrade also has Chartered Retirement Planning Counselors available to guide you step by step during your rollover so everything is covered. You'll also have access to planning tools, like a 401k Rollover Calculator, an IRA Selection Wizard, and WealthRuler to help you plan your goals.

5 Reasons to Open an TD Ameritrade Account:



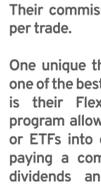
No account minimum



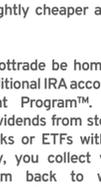
Access to 100+ no-fee ETFs



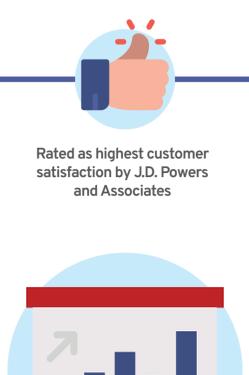
Ranked as "Best online broker for long term investors" in 2015 by Barron's



Ranked #1 by Barron's for Long-Term Investing and Novices



Speak with a Chartered Retirement Planning Counselor before making any decision



The Main Reason to Not Go with TD Ameritrade:

Higher-than-average trading costs and fees at \$9.99 per stock or options trade

A TD Ameritrade IRA is Best For:



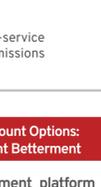
All levels of experience



Those who want to rollover a 401k



Beginners who don't understand IRAs



Less active investors or low-frequency traders



Best IRA Customer Support: Scottrade

Scottrade is known in this industry for their superior customer support and service. They take care of their clients, regardless of how much money you have in your account. (I personally had a great experience dealing with multiple Scottrade representatives who provided me with everything I needed to test out a Scottrade account for my rollover.) Scottrade also offers many of the same account features and investment products of the top full-service brokers. Their commissions are even slightly cheaper at \$7 per trade.

One unique thing that helps Scottrade be home to one of the best Roth IRA and Traditional IRA accounts is their Flexible Reinvestment Program™. The program allows you to reinvest dividends from stocks or ETFs into other eligible stocks or ETFs without paying a commission. Basically, you collect your dividends and then put them back to work immediately, but at no cost to you. Scottrade also offers up to \$1,000 cash when you open a new account (depending on how much you fund the account with).

5 Reasons to Open an TD Ameritrade Account:



\$0 to open a retirement account



Over 3,100 mutual funds with no transaction fee



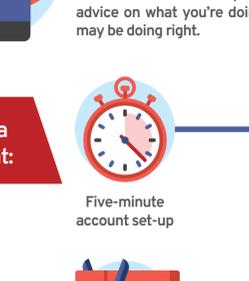
Decent commission prices on trades



Rated as highest customer satisfaction by J.D. Powers and Associates



Over 500 branches nationwide



The Main Reason to Not Go with Scottrade:

Trading tools are slightly behind the curve

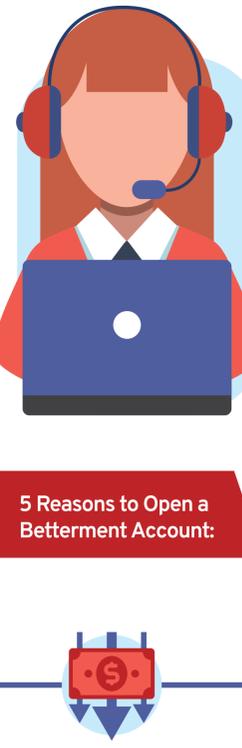
A Scottrade IRA is Best For:



New investors



People who want a full-service broker and lower commissions



2 Best Long-Term IRA Account Options: Betterment and Wealthfront

Betterment is an online investment platform that helps individuals plan their retirement with a wealth of handy online tools. As a client, you'll have access to included services such as tax loss harvesting and automated portfolio rebalancing, and all with some of the lowest fees out there.

Speaking of fees, Betterment customers will pay between .25 - 0.40 percent annually, plus no trade fees, no transaction fees, and no rebalancing fees.

Betterment's newly improved RetireGuide also helps streamline retirement planning by providing interactive tools to get you on track. Simply input the details of your financial situation into the RetireGuide and answer a series of questions to receive detailed advice on what you're doing wrong - and what you would be doing right.

5 Reasons to Open a Betterment Account:



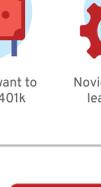
Five-minute account set-up



No account minimum, plus no minimum for withdrawals or deposits



Access to low-cost, liquid ETFs



Automated tax loss harvesting and portfolio rebalancing



Access to the RetireGuide, plus long-term investing tools



The Main Reason to Not Go with Betterment:

No Direct Indexing

A Betterment IRA is Best For:



Novices starting out with small balances



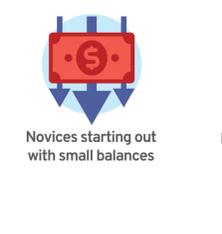
Those who want to rollover a 401k



Novices who want to learn as they go



Investors who want help formulating retirement goals



Wealthfront

Wealthfront is one of the largest and fastest-growing online financial advisors in the industry, and that's partly due to the myriad benefits they offer. In addition to tax loss harvesting, automatic portfolio rebalancing, Wealthfront has a single stock diversification program Selling Plan, a service that is unique to Wealthfront. This helps anyone with public company stock sell their shares tax-efficiently and commission free.

Unlike other automated investing services, Wealthfront charges one flat rate to customers no matter the size of their portfolio. That rate is .25 percent, and that's charged only on funds outside of the first \$10,000 they manage for free.

Wealthfront does not let you trade individual stocks, but instead offers low-cost ETFs that give an investor broad diversification and exposure. Better yet, they offer a range of benefits that help you rebalance your portfolio, manage risk, and ultimately, get the most out of your investments.

5 Reasons to Open a Wealthfront Account:



Account minimum of only \$500



No minimum for withdrawals or deposits, plus our first \$10,000 is managed for free



Access to Path, Wealthfront's fully mobile financial planning



Refer-a-friend-program lets you earn your way to more services for free



Tax-optimized direct indexing, automatic tax loss harvesting, and automated portfolio rebalancing



The Main Reason to Not Go with Wealthfront:

Investors who want to regularly speak to financial advisors

A Betterment IRA is Best For:



Novices starting out with small balances



Individuals and families in their 30s and 40s



Anyone who wants access to fully mobile investment management and financial planning

### Cheapest Option for Your IRA: Ally Invest

Ally Invest is an online broker that only continues to improve after merging with Zecco in 2013. Both Ally Invest and Zecco were ranked in my top 20 brokers, so I'm sure the combination of the two will only make things better for the new Ally Invest in 2015 and beyond. Ally Invest is known for providing great value, as evidenced by their low trading fee of \$4.95 per stock or options trade.

If you open an IRA account with Ally Invest, you'll have access to all of their trading tools, which surpass the other best Traditional IRA and Roth IRA accounts in terms of options trading. Ally Invest won't hold your hand as much as the other full-service brokers, so their IRA account is more for self-directed investors and people looking to save money on trading costs. The savings can really add up over time even if you're just making a few trades each year.

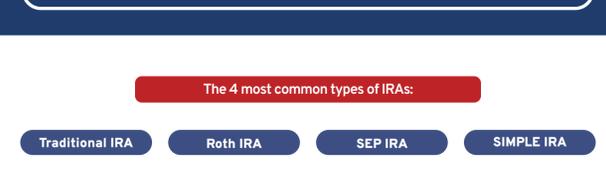
### 5 Reasons to Open an IRA Account with Ally Invest:



### The Main Reason to Not Open an IRA Account with Ally Invest:

Lacks the account resources of a full-service broker

### A Ally Invest IRA is Best For:



## What Is an IRA?

An IRA, or Individual Retirement Account, is basically a savings account that has a lot of guidelines and restrictions. It's the best way to invest your money to get upfront tax breaks or pay no taxes on your gains when you take your money out later in life.

While you do enjoy these tax breaks, you'll incur a heavy tax penalty if you withdraw any funds from an IRA account before you're 59.5 years old.

There are 11 types of IRAs, but only four are worth considering and only two will likely apply to your situation.

## IRA 101

Now that you have a brief idea about which IRA companies are the best, I'll explain everything you need to know about opening an IRA account and the differences between a Roth IRA and a traditional IRA.

If you already know what you need to know about Roth IRA, Traditional IRA, and other IRA accounts, I recommend skipping down to the section titled "What is an Online Financial Advisor?"

### The 4 most common types of IRAs:



Not included in this list is a Rollover IRA. That is because it is not a type of IRA, rather it describes what you do when you transfer your retirement funds from a previous job into a Roth or Traditional IRA. Rollovers are offered by all of the best IRA companies.

Two of the less commonly discussed IRAs are the SEP IRA and the SIMPLE IRA. Let me briefly tell you about those before getting to the Roth IRA and Traditional IRA, which are more popular.

**SEP IRA** – Also known as the Simplified Employee Pension Individual Retirement Account, this IRA allows an employer to contribute to your Traditional IRA. So instead of your employer adding money into a pension fund, it goes into your IRA as if you were investing it yourself.

**SIMPLE IRA** – This stands for Savings Incentive Match Plan for Employees and it's set up very similar to a 401k plan, meaning the employer makes the contributions made by the employee.

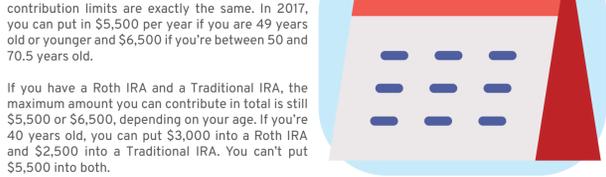
Again, the SEP IRA and SIMPLE IRA are not overly common because the business has to set it up versus the individual who sets up a Roth IRA or Traditional IRA.

### Roth vs Traditional IRA

A Roth IRA and a Traditional IRA have many of the same rules and regulations, but there are a few key differences between the two.

#### Traditional and Roth IRA Rules

The rules that Traditional and Roth IRAs have in common are:



#### Traditional and Roth IRA Limits

Roth IRA contribution limits and Traditional IRA contribution limits are exactly the same. In 2017, you can put in \$5,500 per year if you are 49 years old or younger and \$6,500 if you're between 50 and 70.5 years old.

If you have a Roth IRA and a Traditional IRA, the maximum amount you can contribute in total is still \$5,500 or \$6,500, depending on your age. If you're 40 years old, you can put \$3,000 into a Roth IRA and \$2,500 into a Traditional IRA. You can't put \$5,500 into both.

#### Withdrawal Penalties

Regardless of which type of IRA account you choose, you'll have to pay a 10% penalty in addition to any income tax earned on the investment if you pull your money out early.

You want to put your money into an IRA but never at the expense of having to take money out before you're 59.5 years old. Don't force the maximum investment amount of \$5,500 each year if it stretches your finances too thin.

#### Funding an IRA Account

You can fund your Roth IRA or Traditional IRA cash or cash equivalents but not other assets. However, rollovers can include any asset or investment product – the IRA is not cashed out in the case of a rollover.

#### Choosing Investments

The best IRA accounts are online to the investment products offered by an online brokerage. Both Traditional and Roth IRAs allow investments like stocks, bonds, mutual funds, ETFs, and more. For both Traditional and Roth, you put your money in and then allocate it to specific types of investments. The emphasis of an IRA is usually on long-term growth, so the investments should traditionally be less risky.

### The Key Differences Between a Roth and Traditional IRA



#### Tax Deductions

You get tax breaks with either option, but there's a pretty big difference in when these occur.

With a Traditional IRA, you're allowed to deduct your yearly contribution (in most cases) off your taxable income each year. If you put in \$5,500 each year into a Traditional IRA and you make \$60,000 per year, you'll only pay taxes on \$54,500. (To avoid doing the calculations yourself this tax season, you can use online tax software. Check out my article on the best tax software to see the top products.)

When you withdraw your money from a Traditional IRA, it will be taxed as income, like any other investment.

A Roth IRA has no tax deductible each year so it won't have an impact on your yearly tax return. It does hold a major tax advantage in the long run (if your account makes money). With a Roth IRA, you don't have to pay income tax when you withdraw the money from your account at retirement.

#### Income Limitations

Traditional IRAs allow anyone younger than 70.5 years old to contribute regardless of income. In order to contribute to a Roth IRA, a single filer must make less than \$129,000 and married couples must make less than \$191,000 combined.

#### Old-Age Restrictions

You can keep your money in the Roth IRA as long as you want, but a Traditional IRA forces you to start taking distributions at age 70.5. You can't make any contributions to a Traditional IRA after that age, but you can continue contributing to a Roth IRA as long as you'd like. Also, keep in mind that beneficiaries of Roth IRAs will not owe taxes either.

A Roth IRA also requires that you have the account open for at least five years before qualifying for a distribution. If you open an account at age 57, you'll have to wait until you're 62 to take the money out without penalty versus taking it out at 59.5 years old.

#### Withdrawal Exceptions

A Roth IRA offers a few advantages over the Traditional IRA when it comes to withdrawal flexibility. If you withdraw from your Roth IRA early, you're only hit with a tax on the gains, not the money you put into the account.

Anything you put into a Roth IRA you can take out at anytime without being penalized. The only case where you would have to pay a penalty fee is if you withdraw from the income you've earned prior to being 59.5 years old.

A Traditional IRA is much different. You'll be hit with the 10% penalty on any amount you withdraw before 59.5 years old.

Roth IRAs also add an additional layer of flexibility. First-time homebuyers are allowed to take out up to \$10,000 in earnings. That money is tax-free and you will not be assessed the 10% penalty. You can take out \$10,000 on a Traditional IRA as a first-time homebuyer as well without paying the 10% penalty, but you'll have to pay taxes on the distribution.

### Comparison Chart: Roth IRA vs Traditional IRA

Features	Traditional IRA	Traditional IRA
<b>Who can contribute?</b>	You can contribute if you (or your spouse if filing jointly) have taxable compensation but not after you are age 70.5 or older	You can contribute at any age if you (or your spouse if filing jointly) have taxable compensation and your modified adjusted gross income is below certain amounts (see 2015 and 2016 limits).
<b>Are my contributions deductible</b>	You can deduct your contributions if you qualify.	You can contribute aren't deductible.
<b>How much can I contribute?</b>	The most you can contribute to all of your traditional and Roth IRAs is the smaller of: \$5,500 (for the 2015 and 2016), or \$6,500 if you're age 50 or older by the end of the year; or Your taxable compensation for the year.	
<b>What is the deadline to make contributions?</b>	Your tax return filing deadline (not including extensions). For example, you have until April 18, 2016, to make your 2015 contribution, but please see IRS publication 509, Tax Calendars, for how statewide holidays may delay this deadline to April 19, 2016.	
<b>What is the deadline to make contributions?</b>	Your tax return filing deadline (not including extensions). For example, you have until April 18, 2016, to make your 2015 contribution, but please see IRS publication 509, Tax Calendars, for how statewide holidays may delay this deadline to April 19, 2016.	
<b>When can I withdraw money?</b>	You can withdraw money anytime	
<b>Do I have to take required minimum distributions?</b>	You must start taking distributions by April 1 following the year in which you turn age 70.5 and by December 31 of later years.	Not required if you are the original owner.
<b>Are my withdrawals and distributions taxable?</b>	Any deductible contributions and earnings you withdraw or that are distributed from your traditional IRA are taxable. Also, if you are under age 59.5 you may have to tax for early withdrawals unless you qualify for an exception.	None if it's a qualified distribution (i.e. a withdrawal that is a qualified distribution). Otherwise of withdrawal may be taxable. If you are under age 59.5, you may also have to pay an additional 10% tax for early withdrawals unless you qualify for an exception.



### How Does a Rollover IRA Work?

A Rollover IRA is not necessarily a "type" of IRA, but more so an action. It occurs when retirement funds are transferred into a Traditional IRA or Roth IRA. Again, all of the best IRA accounts will have the capability to do a rollover. The most common rollovers are a 401k and a 403b.

You'll want to do a Rollover IRA if you have retirement savings from your previous job and you've moved onto something else. If you have multiple retirement accounts, it also makes sense to consolidate your accounts in one place at some point.

You get the tax advantage of both tax-deferred and tax-free rollovers from the best IRA companies.

#### Avoiding a 20% Withholding Penalty on a Rollover

The top companies will also assist you with a seamless transfer from your old account to your new IRA. If the transfer is done with a check, you'll get charged a 20% withholding penalty. Obviously, you'll want to avoid this at all costs.

To do so, you can inform your new IRA account that you want the funds to be transferred directly from your previous account to this one. Again, all the best Roth IRA providers and the best Traditional IRA providers will assist you with this.

If you're doing a Rollover IRA, you can choose between a Traditional or Roth IRA, but remember that all the same restrictions will apply to each IRA type.

### A Deeper Understanding of IRA Accounts

The information on IRAs can go on and on. I wanted to simply give you a starting point so you have a basic understanding and you're able to choose the best IRA account for you. If you want to dig deeper, I recommend reading Publication 950 from the IRS, which provides 111 pages worth of information on IRAs.

### What is an Automated Investing Service?

I've written more extensively on this new breed of firms that use software to automate many investing decisions. Automated investing services use modern portfolio theory to build you a diversified basket of low fee ETFs (much lower fees than standard mutual funds), and then they automate many functions like portfolio rebalancing, goal setting, and for non-IRA accounts – tax loss harvesting.

You can take advantage of low cost ETFs in any of the accounts mentioned in this post also, and you'll want to steer clear of AIS if you want to trade your own stocks and be active. However, if you're looking for a retirement solution that requires little time commitment and ensures the lowest fees, then you may want to check out my research:

How Online Financial Advisors are Fighting for Main Street

- Betterment Review
- Wealthfront Review

### Invest in Your Financial Future

It's never too late to get started by opening a Roth IRA or Traditional IRA with one of the companies I mentioned above. Even if you don't have thousands of dollars each year to invest, anything you can get into an IRA account will pay off down the road. The money has the ability to compound year after year and grow into something very significant.

We've all seen that no investment is a guarantee to make you money over time. However, you'll at least have the opportunity to let your money grow and avoid paying taxes when you invest or when you take it out (depending on whether you choose a Roth IRA or Traditional IRA).

You can at least get started by speaking to a professional representative from one of the firms to answer your questions.