

## 2021 IRA, Roth IRA & Employer Retirement Plan Limits

It's that time of year again, when we are starting to find out what the new contribution limits for the upcoming year will be. Each year the IRS assess and oftentimes changes the amount you can contribute to qualified accounts and retirement plans. If you are not up to date on these changes you could miss out on opportunities to maximize your retirement savings.

We will start with traditional IRAs, since there aren't many changes from 2020. The contribution limit for 2021 will remain at \$6,000 per person. However, if you are over 50 years old you can contribute an additional \$1,000 for a total of \$7,000. Remember that there are some rules that may determine if you can contribute to an IRA. For example, if you are single and your Modified Adjusted Gross Income is over \$66,000 per year, the amount you can contribute for a tax deduction begins to decrease. Once your MAGI goes over \$76,000 you are completely phased out from making a tax deductible IRA contribution.

If you are married filing jointly and you also contribute to an employer plan, the limits are \$105,000 before you start to be phased out. Once you go over \$125,000, you are completely phased out from making a tax-deductible IRA contribution. What if you are married and file jointly and you don't contribute to an employer plan? The contribution limits are the same, but the income limits for tax deductibility change to \$198,000 MAGI. Above \$198,000, you start to be phased out and once you go over \$208,000 you are completely phased out. Technically you could still contribute but you wouldn't get the pre-tax credit for the contribution.

Let's discuss Roth IRAs for a moment. Just like Traditional IRAs, the limits stayed the same on Roth contributions as well. The contribution limit on a Roth IRA remains at \$6,000 per year with the over 50 years old catch-up contribution of \$1,000 for a total of \$7,000 per year. It is important to remember that just like a traditional IRA there are income limits on making Roth contributions as well. Single MAGI up to \$125,000 you can make a full contribution but then you start to be phased out. Once your MAGI reaches \$140,000 you are completely phased out. If you are married and file jointly your MAGI can be as much as \$198,000 and still make a full contribution. However, once your MAGI reaches \$208,000 you are completely phased out of a Roth IRA contribution.

Lastly, we will cover 401ks, 403bs, TSPs, and 457b plans. All of these plans have a contribution limit of \$19,500 in 2021. If you are over 50 years old you can make an additional catch-up contribution of \$6,500. So, you can contribute and save \$26,000 per year if your over 50 years of age. Don't forget that some employers also offer a match, so the employer match is in addition to your personal contribution limits. It is important to know what your employer will match so that you can take advantage by contributing at least that amount.

Also, as a reminder, don't forget that the Secure Act that went into effect in January 2020 changed the RMD (Required Minimum Distribution) age to 72 from 70 & ½. The Cares Act gave

everyone an RMD exemption for 2020, but unless another act is passed, if you turn 72 in 2021 don't forget to take those RMD's.

There are different contribution amounts and limits for the various types of qualified retirement accounts and plans. As we discussed earlier, the IRS assess these numbers annually and often makes changes. It is prudent to be aware of not only the type of account you are investing in, but to also be familiar with the annual limitations and rules for your account. Familiarizing yourself and staying current with the limits will help you be able to save efficiently and maximize your retirement savings.

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