

RETIREMENT

Saving for Retirement: How Much Can You Contribute in 2021?

With the new year comes information from the IRS on how much you can add to your tax-advantaged retirement plans and related issues. The new annual limits for some major vehicles are spelled out in the table below.

You should consult your financial and tax advisors about any retirement strategies.¹

It's always a good time to plan for retirement. If you'd like any help, we're here for you.

PLAN VEHICLE	2021 LIMITS	2020 LIMITS	COMMENTS	
TRADITIONAL IRA	Standard: \$6K Catch-Up: \$1K if 50 or older	Same	Pre-tax contributions; withdrawals taxed as ordinary income.	
ROTH IRA	Standard: \$6K Catch-Up: \$1K	Same	Contributions taxed; withdrawals not taxed if in accord with Roth rules.	
ROTH INCOME LIMITS²	Single: <\$140K Married: ³ <\$208K	<\$139K <\$206K	Limits here are for partial contributions; limits for full contributions are lower. Roth 401(k)s have no income limits.	
TRADITIONAL IRA INCOME² LIMITS ON DEDUCTING CONTRIBUTIONS	NOT COVERED BY PLAN AT WORK: Single: No limit Married: Phase-out at >\$198K - >=\$208K COVERED BY PLAN AT WORK: Single: Phase-out at >\$66K - >=\$76K Married: Phase-out at >\$105K - >=\$125K	No limit Phase-out at >\$196K - >=\$206K Phase-out at >\$65K - >=\$75K Phase-out at >\$104K - >=\$124K		
401(k)	Standard: \$19.5K Catch-Up: \$6.5K	Same	Limit on employee before-tax & after-tax contributions <i>plus</i> employer contributions is \$58K + \$6.5K catch-up in 2021, vs. \$57K + \$6.5K in 2020.	
SEP IRA	Standard: \$58K ⁴ Catch-Up: None	\$57K None	Designed for small and owner-only businesses. Generally, employees must be covered by employer.	
SOLO 401(k)	Standard: \$58K Catch-Up: \$6.5K	\$57K Same	May be useful when the business owner and spouse are the only workers.	
SIMPLE IRA	Standard: \$13.5K Catch-Up: \$3K	Same	For businesses with up to 100 employees; employers must contribute to employees, and employees may also contribute.	
SAVER'S TAX CREDIT (INCOME LIMIT)	Single: \$33K Married: \$66K	MAX ANN. CREDIT: \$1K \$2K	MAX ANN. CREDIT: Same Same	For lower- and moderate-income savers contributing to retirement plans.

BIDEN BIDDING HIS TIME?

The President-Elect has proposed replacing the tax-deductibility of contributions to most retirement plans with a flat tax credit, probably of about 26%, to promote greater equity for smaller investors, and a slate of higher taxes. Whether he achieves these goals depends in large measure on whether the Democrats reclaim Senate leadership.

1. Defined-benefit plans are not covered in the table above
 2. Modified Adjusted Gross Income: AGI with certain items, including tax-free interest, added back
 3. Throughout this table, "Married" assumes filing tax returns jointly
 4. Lesser of that amount or certain percentages of business revenue; also applies to 2020 and to the limits for both years in Solo 401(k)s

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