



Sherman

WEALTH MANAGEMENT

Definitive Guide To Your 2021 Tax Return

The IRS has tons of rules and forms when it comes to your taxes.. And a ton of those rules affect investing for retirement, so we rounded them up in one place. Below are some of the many limits that affect your retirement savings for the 2021 tax year.

Contribution limits on retirement accounts

Annual 401(k) contribution limit

\$19,500 if you're under 50 years old, and \$26,000 if you're over 50. If you have both a traditional and a Roth 401(k), that's the total limit you can contribute across both accounts.

Annual IRA contribution limit

\$6,000 if you're under 50, and \$7,000 if you're over 50. Again, this is the total contribution limit across both traditional and Roth IRAs.

Annual SEP IRA and Solo 401(k) contribution limits

25% of your "net earnings from self-employment" or \$58,000, whichever is lower.

Annual SIMPLE IRA and SIMPLE 401(k) contribution limits

\$13,500 if you're under 50, and \$16,500 if you're over 50. (Btw, these count toward your overall 401(k) contribution limit, too.)

Income limits to contribute to a Roth IRA

Depending on your modified adjusted gross income (MAGI), you might be partially or fully ineligible to contribute to a Roth IRA. Note that these limits don't apply to Roth 401(k)s. (Those don't have income limits at all.)

If your filing status is single, head of household, or married filing separately

If your MAGI is over \$140,000, you can't contribute to a Roth IRA. If it's between \$125,000 and \$140,000, you can contribute a reduced amount. And if it's less than \$125,000, you can contribute up to the full \$6,000 / \$7,000 limit.

Except: If your status is married filing separately and you lived with your spouse at any time during the year, you can't use a Roth IRA if your MAGI is over \$10,000. If it's under \$10,000, you can contribute a reduced amount.

If your filing status is married filing jointly or qualifying widow(er)

If your MAGI is over \$208,000, you can't contribute to a Roth IRA. If it's between \$198,000 and \$208,000, you can contribute a reduced amount. And if it's less than \$198,000, you can contribute up to the full \$6,000 / \$7,000 limit.

Income limits to deduct traditional IRA contributions

Anyone with an earned income (investment income doesn't count) can contribute to a traditional IRA up to the limit. If your MAGI is greater than a certain amount, you may be partially or fully ineligible to deduct them on your tax return, though.

If you are covered by a retirement plan at work (ie 401(k), SEP IRA)

If your filing status is single or head of household

If your MAGI is over \$76,000, you can't deduct your traditional IRA contributions. If it's between \$66,000 and \$76,000, you can deduct a reduced amount. And if it's less than \$66,000, you can deduct up to the full \$6,000 / \$7,000 contribution limit.

If your filing status is married filing jointly or qualifying widow(er)

If your MAGI is over \$125,000, you can't deduct your traditional IRA contributions. If it's between \$105,000 and \$125,000, you can deduct a reduced amount. And if it's less than \$105,000, you can deduct up to the full \$6,000 / \$7,000 contribution limit.

If your filing status is married filing separately

If your MAGI is over \$10,000, you can't deduct your traditional IRA contributions. If it's under \$10,000, you can deduct a reduced amount.

If you aren't covered by a retirement plan at work (ie, 401(k), SEP IRA)

If your filing status is single, head of household, or qualifying widow(er)

None. You can deduct up to the full \$6,000 / \$7,000 contribution limit.

If your filing status is married filing jointly or separately

If neither you nor your spouse is covered by a retirement plan at work, there's no income limit. You can deduct up to the full \$6,000 / \$7,000 contribution limit.

But say your spouse *is* covered by a retirement plan at work:

- If you file jointly and your MAGI is over \$208,000, you can't deduct your traditional IRA contributions. If it's between \$198,000 and \$208,000, you can deduct a reduced amount. And if it's less than \$198,000, you can deduct up to the full \$6,000 / \$7,000 contribution limit.

- If you file separately and your MAGI is over \$10,000, you can't deduct your traditional IRA contributions. If it's under \$10,000, you can deduct a reduced amount.

Limit on indirect IRA rollovers per year

You can't do an indirect rollover from one IRA into another IRA more than once a year. That's not once per calendar year, or even once per tax year — it's once per rolling 12-month period.

This applies whether it's traditional-to-traditional or Roth-to-Roth. However, direct rollovers don't count, and traditional-to-Roth conversions don't count. (Neither do rollovers from your employer retirement plan, like a 401(k) — those are different.)

Age limits on retirement accounts

There's no age limit on IRAs. But you do have to stop contributing to your other tax-advantaged retirement accounts when you hit age 70½ — unless you're still working, in which case you can keep contributing to a plan that's sponsored by that employer.

And at age 72, you have to start taking required minimum distributions (RMDs) from your retirement accounts (except for Roth IRAs — no RMDs on those). If you're still working, RMDs on non-IRA retirement accounts can be waived, unless you own 5% or more of the company that employs you. (The CARES Act waived all RMDs for 2020, but 2021 RMDs seem to be back on. We'll update this page in the event that changes.)

Those are the limits you need to know about. Now go forth and invest for that dream retirement.

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