

# 2021 Retirement Plan Contribution Limits

**The Treasury Department announced the inflation-adjusted figures** for retirement account savings for 2021, and there's extra room for savings for wage- and salary-earners and the self-employed. If you have a 401(k), a SEP-IRA, or a SIMPLE you have the option, if you can swing it, to bump your contributions to the new max. Contact your Klaas Financial representative for more information. **Here are the details.**

**Qualified Retirement Plans.** The annual contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan, remains \$19,500 for 2021.

**Catch-Up Contributions.** The catch-up contribution limit for employees age 50 or older in these plans remains \$6,500 in 2021. Even if you don't turn 50 until Dec. 31, 2021, you can make the additional \$6,500 catch-up contribution for the year.

**SEP IRAs and Solo 401(k)s.** For the self-employed and small business owners, the amount they can save in a SEP IRA or a solo 401(k) is \$58,000, up from \$57,000 in 2020. That's based on the amount they can contribute as an employer, as a percentage of their salary; the new compensation limit used in the savings calculation is \$290,000 in 2021, up from \$285,000 in 2020.

**The SIMPLE IRA.** The contribution limit on SIMPLE retirement accounts remains \$13,500 in 2020, and the catch-up limit remains \$3,000.

**Defined Benefit Plans.** The limitation on the annual benefit of a defined benefit plan remains \$230,000 in 2021. These are powerful pension plans (an individual version of the kind that used to be more common in the corporate world before 401(k)s took over) for high-earning self-employed folks.

**IRAs.** The limit for annual contributions to an Individual Retirement Account remains \$6,000 for 2021, and the catch-up contribution limit remains \$1,000. Remember that 2020 IRA contributions can be made until April 15, 2022.

**Deductible IRA phase-outs.** You can earn a little more in 2021 and get to deduct your contributions to a traditional pre-tax IRA. Note, even if you earn too much to get a deduction for contributing to an IRA, you can still contribute; it's just non-deductible.

*[continued...]*

*Information gathered from irs.gov*

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**Deductible IRA phase-outs (continued).** In 2021, the deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (MAGI) between \$66,000 and \$76,000, up from \$65,000 and \$75,000 in 2020. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is \$105,000 to \$125,000, up from \$104,000 to \$124,000 in 2020. For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$198,000 and \$208,000, up from \$196,000 to \$206,000 in 2020. For a married individual filing a separate return who is covered by a workplace retirement plan, the phase-out range is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000.

**Roth IRA phase-Outs.** In 2021, the MAGI phase-out range for taxpayers making contributions to a Roth IRA is \$198,000 to \$208,000, up from \$196,000 to \$206,000 in 2020. For singles and heads of household, the income phase-out range is \$125,000 to \$140,000, up from \$124,000 to \$139,000 in 2020.

If you earn too much to open a Roth IRA, you can open a nondeductible IRA and convert it to a Roth IRA as Congress lifted any income restrictions for Roth IRA conversions. To learn more about the backdoor Roth, see *How A High-Earner Couple Got A Roth IRA And You Can Too* ([bit.ly/forbes-roth](https://bit.ly/forbes-roth)).

**The Saver's Credit.** The 2021 MAGI limit for the saver's credit (also known as the retirement savings contribution credit) for low- and moderate-income workers is \$66,000 for married couples filing jointly, up from \$65,000 in 2020; \$49,500 for heads of household, up from \$48,750; and \$33,000 for married individuals filing separately and for singles, up from \$32,500 in 2020.

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