2018 Retirement Plan Contribution Limits

The Treasury Department announced the inflation-adjusted figures for retirement account savings for 2018, and there's extra room for savings for wage and salary types 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.**

401(k)s. The annual contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan, is $18,500 for 2018, up from $18,000 in 2017.

The 401(k) Catch-Up. The catch-up contribution limit for employees age 50 or older in these plans remains at $6,000 for 2018. Even if you don't turn 50 until Dec. 31, 2015, you can make the additional $6,000 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) goes up from $54,000 in 2017 to $55,000 in 2018. 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 $275,000, up from $270,000.

The SIMPLE IRA. The contribution limit on SIMPLE retirement accounts for 2018 remains at $12,500, and the catch-up limit remains at $3,000.

Defined Benefit Plans. The limitation on the annual benefit of a defined benefit plan increases to $220,000 in 2018 (up from $215,000 in 2017). 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 $5,500 limit on annual contributions to an Individual Retirement Account remains the same for 2018, the sixth year in a row. Blame low inflation. The catch-up contribution limit, which is not subject to inflation adjustments, remains at $1,000. (Remember that 2018 IRA contributions can be made until April 15, 2019.)

Deductible IRA phase-outs. You can earn a little more in 2018 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.

Information gathered from forbes.com

We provide you this information with the understanding that we are not rendering accounting, legal or tax advice. Please consult your legal or tax advisor concerning such matters.

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Deductible IRA phase-outs (continued). In 2018, 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 (AGI) between $63,000 and $73,000, up from $62,000 and $72,000 in 2017. 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 $101,000 to $121,000, up from $99,000 to $119,000 in 2017. 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 $189,000 and $199,000, up from $186,000 and $196,000 in 2017. 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 2018, the AGI phase-out range for taxpayers making contributions to a Roth IRA is $189,000 to $199,000 for married couples filing jointly, up from $186,000 to $196,000 in 2017. For singles and heads of household, the income phase-out range is $120,000 to $135,000, up from $118,000 to $133,000.

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).*

The Saver's Credit. The 2018 AGI limit for the saver's credit (also known as the retirement savings contribution credit) for low- and moderate-income workers is $63,000 for married couples filing jointly, up from $62,000 in 2017; $47,250 for heads of household, up from $46,000; and $31,500 for married individuals filing separately and for singles, up from $31,000.

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