

Retirement & IRA Contributions 2017

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To be eligible to make contributions to a Retirement Plan you must have earned income (Self Employed or W2) subject to Social Security taxes and be under age 70 ½. Roth IRA contributions are available after 70 ½ as long as you have earned income.

1) There are limits for IRA & Employee contributions for 2017

A) Under age 50

IRA's= \$5,500

401K, 403b, 457=\$18,000

Simple IRA=\$12,500

B) Age 50 + Catch up provision

IRA's=\$6,500

401K, 403b, 457=\$24,000

Simple IRA=\$15,500

2) IRA Phase Out- Not all IRA Contributions can be deducted:

A) For Employees that are active participants in Employer Plans- Deductibility Phase Out-

Single \$62,000-\$72,000

Joint \$99,000-\$119,000

Separate \$0-\$10,000

B) No Employer Plan or Spouse is a participant in an employer Plan - \$186,000-\$196,000

C) Roth IRA contribution phase out;

Single \$118,000-\$133,000

Joint \$186,000-\$196,000

Separate \$0-\$10,000

Reference: Kaplan Financial Education 2017 Pocket Tables; 2017 Tax Facts, The National Underwriter

What does this mean to you?

A) If you are under age 70 ½ and have income under \$118,000 with some earned income:

Example: Couple age 65 with earned income and adjusted gross at \$110,000. One has a company retirement plan and W2 earning = \$100,000. Without an IRA Contribution (standard deduction and 2 exemptions) their taxable income would be \$89,300, with \$14,000 taxed at a Federal rate of 25%.

Making a deductible IRA Contribution for the spouse of \$6,500 and a deductible Employee Contribution of \$3,900 saves an estimated \$2,600 in Federal taxes and \$830 in IA taxes or 33%.

They are also eligible for Employee Roth IRA contribution = \$2,600

B) If you are over 70 ½ and have earned income with adjusted gross under Roth IRA limits-

Joint= \$186,000; Single= \$118,000; Separate= \$0

You can contribute to a Roth IRA for 50+= \$6,500; under 50= \$5,500

Note: Roth IRA contributions are not deductible; however distributions are tax free principal then interest after 59 ½ and 5 years.

A free income tax review will help you decide if an IRA or Retirement Plan contribution would be right for you.

Contact us at Heartland Financial Services, LTD
www.heartlandfinancial.net or 319-277-1059 for your free review.