Bad News on IRA and 401(k) Contribution Limits for 2021

Retirement savers will be disappointed with the contribution limits for next year, but at least more people will qualify for retirement tax breaks in 2021.

There's good news and bad news from the IRS for Americans saving for retirement with **IRAs**, **401(k)s**, and other retirement accounts in 2021.

Let us start with the bad news: Contribution limits won't go up next year.

And now the good news: The maximum income levels allowed to make deductible contributions to traditional IRAs, contribute to Roth IRAs, and claim the Saver's Credit all increase for 2021.

Retirement Plan Contribution Limits for 2021

For 2021, employees who are saving for retirement through 401(k)s, 403(b)s, most 457 plans, and the federal government's Thrift Savings Plan can contribute up to $19,500 to those plans during the year. That is the same contribution limit in place for 2020.

The "catch-up" contribution limit for employees age 50 or older who participate in these plans also holds steady in 2021 at $6,500 (for a total contribution limit of $26,000 for employees 50 and older).

For anyone saving for retirement with a traditional or Roth IRA, the 2021 limit on annual contributions to their IRA account remains unchanged at $6,000. That is the same amount as it was for both 2019 and 2020. The additional IRA "catch-up" contribution for people 50 and over is not subject to an annual cost-of-living adjustment and stays at $1,000, too (for a total contribution limit of $7,000 for IRA savers age 50 and older).

Likewise, the contribution limit for a SIMPLE IRA, which is a retirement plan designed for small businesses with 100 or fewer employees, stays put at $13,500 for 2021.

Income Ranges for 2021

Increased income ranges for the **traditional IRA deduction**, **Roth IRA contributions**, and the **Saver's Credit** means more Americans will qualify for these tax breaks.

If you are contributing to a traditional IRA, the deduction allowed for your contribution is gradually phased-out if your income is above a certain amount. For 2021, the phase-out ranges are:

- $66,000 to $76,000 for a single person covered by a workplace retirement plan (up from $65,000 to $75,000 in 2020).
- $105,000 to $125,000 for a married couple filing jointly if the spouse making the IRA contribution is covered by a workplace retirement plan (up from $104,000 to $124,000 in 2020).
- $198,000 and $208,000 for a married couple if the spouse contributing to an IRA is not covered by a workplace retirement plan and the other spouse is covered (up from $196,000 and $206,000 in 2020); and
- $0 to $10,000 for a married person filing a separate return who is covered by a workplace retirement plan (the same as 2020 because this range is not subject to an annual cost-of-living adjustment).

For people saving for retirement with a Roth IRA, the actual amount that you can contribute to the account is based on your income. To be eligible to contribute the maximum for 2021, your modified adjusted gross income must be less than $125,000 if single or $198,000 if married and filing jointly (up from $124,000 and $196,000, respectively, for 2020). Contributions begin to be phased out above those amounts, and you won't be able to put any money into a Roth IRA in 2021 once your income reaches $140,000 if single or $208,000 if married and filing jointly ($139,000 and $206,000 for 2020). The phase-out range for a married person filing a separate return who makes contributions to a Roth IRA is not subject to an annual cost-of-living adjustment and remains $0 to $10,000 for 2021.

Finally, the 2021 income limit for the Saver's Credit for low- and moderate-income workers is $66,000 for married couples filing jointly ($65,000 in 2020), $49,500 for head-of-household filers ($48,750 in 2020), and $33,000 for singles and married people filing separately ($32,500 in 2020).