Make a deductible IRA contribution for 2018. It’s not too late!

Do you want to save more for retirement on a tax-favored basis? If so, and if you qualify, you can make a deductible traditional IRA contribution for the 2018 tax year between now and the tax filing deadline and claim the write-off on your 2018 return. Or you can contribute to a Roth IRA and avoid paying taxes on future withdrawals.

You can potentially make a contribution of up to $5,500 (or $6,500 if you were age 50 or older as of December 31, 2018). If you’re married, your spouse can potentially do the same, thereby doubling your tax benefits.

The deadline for 2018 traditional and Roth contributions for most taxpayers is April 15, 2019 (April 17 for those in Maine and Massachusetts).

There are some ground rules. You must have enough 2018 earned income (from jobs, self-employment or alimony) to equal or exceed your IRA contributions for the tax year. If you’re married, either spouse can provide the necessary earned income. And you can’t make a deductible contribution to a traditional IRA if you were 70½ or older as of December 31, 2018. (But you can make one to a Roth IRA after that age.)

Finally, deductible IRA contributions are phased out (reduced or eliminated) if last year’s modified adjusted gross income (MAGI) is too high.

Types of contributions

If you haven’t already maxed out your 2018 IRA contribution limit, consider making one of these three types of contributions by the April deadline:

1. Deductible traditional. With traditional IRAs, account growth is tax-deferred and distributions are subject to income tax. If you and your spouse *don't* participate in an employer-sponsored plan such as a 401(k), the contribution is fully deductible on your 2018 tax return. If you or your spouse *do* participate in an employer-sponsored plan, your deduction is subject to the following MAGI phaseout:

- For married taxpayers filing jointly, the phaseout range is specific to each spouse based on whether he or she is a participant in an employer-sponsored plan:
  - For a spouse who participated in 2018: \$101,000–\$121,000.
  - For a spouse who didn't participate in 2018: \$186,000–\$196,000.
- For single and head-of-household taxpayers participating in an employer-sponsored plan: \$63,000–\$73,000.

Taxpayers with MAGIs within the applicable range can deduct a partial contribution. But those with MAGIs exceeding the applicable range can't deduct any IRA contribution.

2. Roth. Roth IRA contributions aren't deductible, but qualified distributions — including growth — are tax-*free*, if you satisfy certain requirements.

Your ability to contribute, however, is subject to a MAGI-based phaseout:

- For married taxpayers filing jointly: \$189,000–\$199,000.
- For single and head-of-household taxpayers: \$120,000–\$135,000.

You can make a partial contribution if your 2018 MAGI is within the applicable range, but no contribution if it exceeds the top of the range.

3. Nondeductible traditional. If your income is too high for you to fully benefit from a deductible traditional or a Roth contribution, you may benefit from a *non*deductible contribution to a traditional IRA. The account can still grow tax-deferred, and when you take qualified distributions, you'll only be taxed on the growth.

Act fast

Traditional and Roth IRAs provide a powerful way to save for retirement on a tax-advantaged basis. Contact us to learn more about making 2018 contributions and making the most of IRAs in 2019 and beyond.