Don’t miss your opportunity to make a 2025 IRA contribution — whether you can deduct it or not

Generally, each year you can contribute up to the annual limit to a traditional or Roth IRA (or a combination of the two). But once the contribution deadline has passed, the opportunity to contribute for that year is lost forever. The deadline for 2025 IRA contributions is April 15, 2026. You may be eligible to deduct all or part of your IRA contribution and save taxes on your 2025 return. But even if you *can’t* claim a deduction, contributing can still be beneficial.

How much can you contribute?

For 2025, the IRA contribution limit is $7,000. If you’re age 50 or older, you can make an additional $1,000 catch-up contribution.

Generally, contributions can’t exceed the IRA owner’s earned income. However, spousal IRAs allow contributions to be made to an IRA in a nonworking spouse’s name based on the working spouse’s earned income.

The contribution limit applies to traditional and Roth IRAs on a combined basis. So, assuming you’re eligible, you can contribute $7,000 to a traditional IRA *or* $7,000 to a Roth IRA — or you can split the limit and, say, contribute $5,000 to a traditional IRA and $2,000 to a Roth (or whatever split you prefer that doesn’t exceed $7,000).

Are you eligible to deduct your contributions?

Deductible traditional IRA contributions reduce your current tax bill. Earnings in the IRA are also tax deferred. However, every dollar you withdraw is taxed (and subject to a 10% penalty before age 59½, unless an exception applies).

You can make a fully deductible contribution to a traditional IRA if you (and your spouse, if you're married) aren't an active participant in an employer-sponsored retirement plan.

But if you (and/or your spouse) are an active participant in an employer plan, your deduction might be partially or fully phased out. The phaseout applies if your modified adjusted gross income (MAGI) exceeds certain levels that vary from year to year by filing status. For 2025, the deduction phases out over the following MAGI ranges:

- If you're single or a head of household: $79,000 to $89,000.
- If you're married filing jointly and you're covered by an employer plan: $126,000 to $146,000.
- If you're a joint filer and not actively participating in an employer retirement plan but your spouse is: $236,000 to $246,000.
- If you're married filing separately and lived with your spouse at any time during 2025: $0 to $10,000.

If your MAGI is in the applicable range, you can make a deductible contribution equal to a portion of the $7,000 contribution limit. (The specific amount depends on where your MAGI falls within the range.) If it exceeds the applicable range, you can't deduct any IRA contribution.

Are you eligible to make Roth IRA contributions?

Contributions to a Roth IRA aren't deductible. However, withdrawals from a Roth IRA are tax-free as long as the account has been open at least five years and you're age 59½ or older. This means that growth in the account is never taxed as long as you meet those two requirements.

There are income limits on who can make Roth IRA contributions. For 2025, the ability to contribute phases out over the following MAGIs:

- If you're single or a head of household: $150,000 to $165,000.
- If you're married filing jointly: $236,000 to $246,000.
- If you're married filing separately and lived with your spouse at any time during 2025: $0 to $10,000.

You can make a Roth contribution equal to a portion of the $7,000 contribution limit if your MAGI falls within the applicable range. (The specific amount depends on where your MAGI falls within the range.) But you can't make any Roth contribution if it exceeds the top of the range.

Should you make nondeductible traditional IRA contributions?

If you're ineligible to make Roth IRA contributions or deductible traditional IRA contributions because your income is too high, a nondeductible traditional IRA contribution can be beneficial. While it won't reduce your 2025 taxes, the contribution can grow tax-deferred.

When you take qualified withdrawals in retirement, only the portion attributable to the growth will be taxed. The portion attributable to your contribution will be tax-free because the contribution was made with income that had already been taxed.

If you don't already have a traditional IRA, you can use a nondeductible contribution to create a "backdoor" Roth IRA. You set up a traditional IRA and make a nondeductible contribution to it. Then you can convert the traditional account to a Roth account as soon as the contribution transaction clears.

Normally, Roth conversions are taxable. But in this case, the only tax due will be on any growth in the account between the time you made the contribution and the date of conversion.

What else is there to consider?

Making a 2025 IRA contribution can provide tax savings today or when you take distributions in retirement. And you can benefit from tax-deferred or tax-free compounding. But you need to contribute by April 15, 2026 — even if you file for an extension on your 2025 return. And be sure to indicate that it's for 2025 and not 2026. Do you have more questions about IRA contributions or other tax-advantaged retirement savings options? Contact us.