

IRA Contribution Q&A

Note: The information below is designed to provide general information concerning IRA accounts. It is not intended to provide legal advice nor to be a detailed explanation of how this information may apply to your individual circumstances. For specific information, you are encouraged to consult your tax or legal professional, IRS Publication 590 for Individual Retirement Accounts, and/or the IRS website at www.irs.gov.

How much can I contribute to my IRA?

Contributions can be made to an IRA up to the annual contribution limit or 100% of your earned income, whichever is greater. Every year, the IRS adjusts the contribution limits to keep in line with inflation and the cost of living. The contribution limit for tax year 2015 is \$5,500. This is an aggregate total between any Traditional and/or Roth IRA contributions.

What are catch-up contributions?

For years, the maximum limit to contribute to an IRA was fairly low and the IRS did not adjust this amount by the cost of living each year, as they do now. The IRS, realizing that they may not have had practical limits in place, decided to allow individuals that are closer to retiring the ability to 'catch-up' on funding their retirement account to make up for lost retirement earnings. Therefore, until an unspecified time, the IRS allows anyone who is 50 years of age or older to contribute an additional \$1000 per year.

Is there a minimum amount that I must contribute?

No. Although the IRS has set maximum yearly contribution limits, there is no minimum investment required. However, depending on how the IRA is being invested, there may be product minimum requirements set by the financial institution or Investment Company.

What is the deadline for making an IRA contribution?

Contributions to an IRA can be made up until the tax filing deadline (usually April 15th), not including extensions. Even if you have filed an extension for completing your personal taxes, you must make any contributions to your IRA before the national tax filing deadline.

Are my contributions deductible?

Contributions made to a Roth IRA are not tax deductible under any circumstance. Contributions to a Traditional IRA may be partially or fully tax deductible depending on your income level and whether or not you are covered by a qualified retirement plan through your work. The ability to deduct your contributions may change each year depending on your personal situation and may require some additional forms when filing your taxes. Refer to a tax professional for specific recommendations based on your individual tax needs.

Does it make sense to contribute to an IRA if I can't deduct the contribution?

Even if you can't deduct your IRA contribution, it may still make sense to contribute. The investments you make in the account will still grow tax deferred until withdrawn. Talk to a tax professional to see what options are best for you.

Can I mix deductible and non-deductible contributions together?

Yes. Because situations are always changing, there may be times in which your contribution is fully deductible and other times in which it is only partially deductible or not at all. Whether or not the contribution is deductible does not determine how it can be invested.

What if I accidentally contribute too much?

If a contribution is made in excess of the maximum limit, you must withdraw these funds as soon as the mistake is realized (be sure to tell your financial institution that this is an excess contribution withdrawal so they may report it properly to the IRS). Depending on how long the funds were on deposit before being removed will determine if there will be tax penalties involved. Refer to a tax professional for specific information.

Will I get an IRS form each year to tell me how much I contributed?

Because contributions are allowed up until the tax filing due date, your financial institution will send you an IRS form 5498 in May of the following year. This form is not required nor needed when filing your taxes.