

How much money can I put into my IRA or employer-sponsored retirement plan?

IRAs and employer-sponsored retirement plans are subject to annual contribution limits set by the federal government. The limits are adjusted periodically to compensate for inflation and increases in the cost of living.

IRAs

For the 2017 and 2018 tax years, you can contribute up to $5,500 to all IRAs combined (the limit is adjusted annually for inflation). If you have a traditional IRA as well as a Roth IRA, you can only contribute a total of the annual limit in one year, not the annual limit to each.

If you are age 50 or older, you can also make a $1,000 annual “catch-up” contribution.

Employer-sponsored retirement plans

Employer-sponsored retirement plans such as 401(k)s and 403(b)s have an $18,500 contribution limit in 2018 (a cost-of-living increase of $500); individuals aged 50 and older can contribute an extra $6,000 each year as a catch-up contribution. (Section 403(b) and 457(b) plans may also provide special catch-up opportunities.)

SIMPLE plans

You can contribute up to $12,500 to a SIMPLE IRA or SIMPLE 401(k) plan in 2018, and an extra $3,000 catch-up contribution if you are age 50 or older (unchanged from 2017).

Distributions from traditional IRAs and most employer-sponsored retirement plans are taxed as ordinary income, except for any after-tax contributions you've made, and the taxable portion may be subject to 10% federal income tax penalty if taken prior to reaching age 59½ (unless an exception applies). If you participate in both a traditional IRA and an employer-sponsored plan, your IRA contributions may or may not be tax deductible, depending on your adjusted gross income.

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