Client Alert!

BFS Wealth Management
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There's Still Time to Contribute to an IRA for 2017

March 23, 2018

There's still time to make an IRA contribution (traditional IRA, nondeductible IRA, or Roth IRA) for 2017! You have until your tax return due date (including extensions) to contribute up to $5,500 for 2017 ($6,500 if you were age 50 by December 31, 2017) or 100% of your earned income, whichever is less. For most taxpayers, the contribution deadline for 2017 is April 17, 2018.

You may also be able to contribute to an IRA for your spouse for 2017, even if your spouse didn't have any 2017 income (must file a joint tax return). A spousal IRA allows for the opportunity to double-up contributions.

Traditional IRA

You can contribute to a traditional IRA for 2017 if you had earned income and you were under age 70½ as of December 31, 2017. There is no minimum age requirement – even kids with earned income can contribute.

If you or your spouse were covered by an employer-sponsored retirement plan in 2017, then your ability to deduct your contributions may be limited or eliminated depending on your filing status and your modified adjusted gross income (MAGI) (see table below).

2017 Deductibility Phase-Out Ranges for Traditional IRA Contributions:

1. Covered by an employer-sponsored plan and filing as:	**Your IRA deduction is reduced if your MAGI is between:**	**Your IRA deduction is eliminated if your MAGI is over:**
Single/Head of household	$62,000 to $72,000	$72,000 or more
Married filing jointly	$99,000 to $119,000	$119,000 or more
Married filing separately	$0 to $10,000	$10,000 or more
2. Not covered by an employer-sponsored retirement plan, but filing joint return with a spouse who is covered by a plan	$186,000 to $196,000	$196,000 or more

Even if you can't deduct your traditional IRA contribution, you can always make nondeductible (after-tax) contributions to a traditional IRA, regardless of your income level. However, in most cases, if you're eligible, you'll be better off contributing to a Roth IRA instead of making nondeductible contributions to a traditional IRA.

Roth IRA

You can contribute to a Roth IRA if your MAGI is within certain dollar limits (even if you're 70½ or older). There is no minimum age requirement – even kids with earned income can contribute. Anyone (parent, grandparent, etc.) can fund a Roth IRA on behalf of a child as long as the child had earned income.

While you get no deduction for a contribution to a Roth IRA, your earnings and gains are tax-exempt for life and there are no required minimum distributions. Furthermore, a Roth IRA is a good legacy planning tool since heirs have options to "stretch" the IRA over their lifetimes. An added bonus for children is that a Roth IRA is not considered an asset that could affect college financial aid eligibility (it is not reportable on FAFSA application) and they could take a penalty-free distribution of earnings for college funding.

2017 Deductibility Phase-Out Ranges for Roth IRA Contributions:		
If you file as:	**Your ability to contribute to a Roth IRA is reduced if your MAGI is between:**	**Your ability to contribute to a Roth IRA is eliminated if your MAGI is over:**
Single/Head of household	\$118,000 to \$133,000	\$133,000 or more
Married filing jointly	\$186,000 to \$196,000	\$196,000 or more
Married filing separately	\$0 to \$10,000	\$10,000 or more

Finally, keep in mind that if you make a contribution to a Roth IRA for 2017 by April 17, 2018, no matter how small, and if this is your first Roth IRA contribution, the required five year holding period start date (for penalty free withdrawals) is effective January 1, 2017 for this and any subsequent Roth contributions (other than inherited accounts).

Simplified Employee Pension (SEP)

Those of you who are self-employed and have a Simplified Employee Pension (SEP) can make contributions to the SEP-IRA that cannot exceed the lesser of 25% of each employee's compensation (with a compensation cap of \$270,000), or \$54,000, for 2017. A SEP-IRA can be opened and contributions made until the employer's actual tax-filing deadline, including any extensions.