

Retirement Plan Contributions At-a-Glance, 2020

As fewer companies offer pensions and Social Security makes up a smaller percentage of the average retiree's income, individuals will have to rely more on their own savings for living in retirement. Making contributions to your workplace retirement plan (WRP), such as a 401(k), 403(b), SEP IRA, or SIMPLE IRA is an easy way to save for retirement. Whether or not you contribute to a WRP, you are generally eligible to contribute to an Individual Retirement Account (IRA).

Key facts to know

Below are answers to common questions you may have about retirement savings:

• Is earned income required to make contribution?—

An individual must have taxable earned income, or compensation, on which to base an IRA contribution. A nonworking spouse may contribute based on the working spouse's earned income when filing jointly.

- **What is compensation?—**Generally, compensation is what you earn from working. Compensation includes salaries, wages, tips, professional fees, bonuses, nontaxable combat pay, and other amounts you receive for providing personal services.



Alimony payments for divorce agreements entered into and/or modified after December 31, 2018 will no longer be deductible by the payer and will not be considered income to the recipient.

- **What is not considered compensation?—**Compensation does not include any amount received as earnings and profits from property, such as rental, interest or dividend income, pension or annuity income, deferred compensation, income from certain partnerships, and any amounts (other than combat pay) you exclude from income, such as foreign earned income and housing costs.
- **Can contributions be made with securities?—**No, contributions must be made in cash, check, or money order. Contributions cannot be made in-kind (i.e., securities, property).



Thursday, April 15, 2021, is the last day to establish and/or make contributions for 2020 for Traditional and Roth IRAs and Coverdell ESAs—no extension.

- Contribution deadline extensions apply to employer contributions with SEP and SIMPLE IRAs.

Coverdell ESA Contribution phase-out limits

Coverdell Education Savings Accounts allow you to save for a child's education expenses with tax-free growth and distribution opportunities. Earned income is not required to make a contribution, but the ability to contribute is subject to the following Modified Adjusted Gross Income (MAGI) limits:

Single	Married/joint	Contribution
Up to \$95,000	Up to \$190,000	Full
\$95,000 and \$110,000	\$190,000 and \$220,000	Partial
Over \$110,000	\$220,000	None

- Contributions may be made until the child, sometimes referred to as the beneficiary, reaches age 18.
- Annual, nondeductible contributions of up to a total of \$2,000 per child from all contributors, regardless of the number of ESAs for that beneficiary.
- Special needs beneficiaries are allowed contributions beyond age 18.

Traditional and Roth IRA contributions

IRAs allow you to save for retirement and take advantage of tax benefits.

Maximum contribution (per individual if under age 50)	Maximum contribution (per individual if age 50 or older within a particular tax year)
The lesser of \$6,000 or total compensation for the year	The lesser of \$7,000 or total compensation for the year

- The total contribution to all of your Traditional and Roth IRAs cannot be more than the annual maximum for your age or 100% of earned income, whichever is less.
- Due to the SECURE Act, beginning in tax year 2020, there is no maximum age restriction for making a Traditional IRA contribution as long as the individual, or spouse if filing jointly, has earned income.
- Roth contributions are allowed after the age of 70½ if you or your spouse, if filing jointly, have earned income: MAGI limits apply.
- Roth contributions are not tax-deductible.



You can contribute to an IRA whether you contribute to a workplace retirement plan or not.

INVESTMENT AND INSURANCE PRODUCTS:

NOT FDIC-INSURED

NO BANK GUARANTEE

MAY LOSE VALUE

Roth IRA contribution phase-out limits

- Contributions can be made if you, or your spouse if married filing jointly, have earned income, subject to the following MAGI limits:

Single	Married/joint	Married/separate ¹	Contribution
Up to \$124,000	Up to \$196,000	N/A	Full
\$124,000–\$139,000	\$196,000–\$206,000	Up to \$10,000	Partial
Over \$139,000	Over \$206,000	Over \$10,000	None

Traditional IRA deductibility limits

- Full deduction if you and your spouse, if married, are not covered² by a WRP regardless of income.
- If you and your spouse are covered² by a WRP, deductions are phased out based upon MAGI:

Single	Married/joint	Married/separate ¹	Deduction
Up to \$65,000	Up to \$104,000	N/A	Full
\$65,000–\$75,000	\$104,000–\$124,000	Up to \$10,000	Partial
\$75,000 and over	\$124,000 and over	Over \$10,000	None

- If your spouse is covered² by a WRP, but you are not, deductions are phased out based upon MAGI:

Married/joint	Married/separate ¹	Deduction
Up to \$196,000	N/A	Full
\$196,000–\$206,000	Up to \$10,000	Partial
\$206,000 and over	Over \$10,000	None

¹Your filing status is considered single for IRA contribution purposes if you did not live with your spouse during the tax year.

²The “Retirement Plan” box in Box 13 of your W-2 tax form should be checked if you were covered by a WRP.

Source: IRA contribution, deductibility, and phase-out limit information can be found at [irs.gov](https://www.irs.gov)



Employer plans allow you to save more with higher contribution limits. Taking advantage of an employer plan is a great way to grow your retirement savings.

401(k), 403(b), Gov’t 457(b) plan contribution limits

Employee maximum deferral contributions	Catch-up contribution (if age 50 or older)
\$19,500	\$6,500

Combined limit for designated Roth account and pretax 401(k), 403(b), or Gov’t 457(b) deferral contributions is \$19,500 for those younger than 50 and \$26,000 for those 50 and older within a particular tax year.

SEP, SIMPLE IRAs, and other retirement limits

Maximum elective deferral to SIMPLE IRA and SIMPLE 401(k) plans	\$13,500
Catch-up contribution for SIMPLE IRA and SIMPLE 401(k) plans (if age 50 or older)	\$3,000
Maximum annual defined contribution plan limit	\$57,000
Maximum compensation for calculating qualified plan contributions	\$285,000
Maximum annual defined benefit limit	\$230,000
Threshold for highly compensated employee	\$130,000
Threshold for key employee in top-heavy plans	\$185,000
Maximum SEP contribution is lesser of limit or 25% of eligible compensation	\$57,000
Income subject to Social Security	\$137,700

With you every step of the way

Everyone has a different vision of retirement that requires a unique financial strategy. Wells Fargo Advisors can support you in your retirement planning process by providing the guidance needed to make more informed choices. We will meet with you and help create a comprehensive plan that takes into account your complete financial picture. Your financial advisor will be with you every step of the way to monitor your progress and adapt your plan as needed. Working together, we’ll design and implement a retirement plan that can help you live out your unique vision of retirement.

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