

FAMILY & CONSUMER: '25 IRA Contributions-There's Still Time!

Retirement accounts allow individuals to save funds utilizing earned income now for their benefit in the future. Many employers offer their employees the opportunity to contribute to a retirement account through direct contributions from their paycheck. However, even if you don't have an employer sponsored retirement account, you can still make contributions to a Traditional Individual Retirement Accounts (IRA) and/or Roth Individual Retirement Account. This includes making contributions up to April 15 for the prior year. Self-employed individuals should also talk with their accountant and/or financial advisor about contribution opportunities for SEP and Simple IRA's.

What's the Difference:

Traditional IRA

- Contributions may be deductible (in part or whole) depending on your filing status and income.
- Distributions on pre-tax contributions and earnings are not taxed until withdrawals begin after age 59 ½.
- Withdrawals before 59 ½ will incur taxes plus a penalty tax.
- Required minimum distributions must begin no later than April 1 of the year following the year that one turns 73.

Roth IRA

- Contributions are not tax deductible.
- Qualified distributions are generally tax and penalty free if a 5-year aging period has been met and the individual is over 59 ½.
- Contributions can be withdrawn at any time with no taxes or penalties.
- Required Minimum Distributions are not required.

What's the Same:

Annual Contribution Limits-Total contributions you can make to all your Traditional and Roth IRAs is \$7,000 for 2025 or if less, your taxable compensation for the year. You can contribute an additional \$1,000 if you are aged 50 or older.

Contribution Deadlines- Up to April 15 of the current year (for prior year contributions).

Other Considerations:

- Spouses that do not have taxable compensation may be able to contribute to an IRA if their combined contributions are not more than their taxable compensation (reported on a joint return).
- There are currently no age limits on making contributions to Traditional or Roth IRAs.
- Contributions can be made to an IRA even if you participate in a work retirement plan. However, Traditional IRA contribution deductions may be reduced, and Roth contributions may be limited if income exceeds a certain level.
- Youth may have custodial IRA accounts as well if they have earned income. Speak with your financial advisor and/or tax professional to learn more. **Bonus Idea: Take older youth with you to a financial and/or tax appointment so that they can start learning about taxes and retirement accounts.*

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New Year's Resolutions Ideas:

- Set up account reviews with your financial advisor to ensure diversification in investments and to see if you can reduce fees by consolidating old work retirement or IRA accounts.
- Update your contact and beneficiary information on accounts.
- Set up an automatic withdrawal each month to contribute to your IRA and/or Roth account starting at just \$25/month.

Resources:

Internal Revenue Service: <https://www.irs.gov/retirement-plans/plan-sponsor/types-of-retirement-plans>

Department of Labor Retirement Tool Kit: <https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/publications/retirement-toolkit>