

# 2016 IRA Contributions — It's Not Too Late!



## ARTICLE 03.15.17 DEAN DORTON

Yes, there's still time to make 2016 contributions to your IRA. The deadline for such contributions is April 18, 2017. If the contribution is deductible, it will lower your 2016 tax bill. But even if it isn't, making a 2016 contribution is likely a good idea.

### **Benefits beyond a deduction**

Tax-advantaged retirement plans like IRAs allow your money to grow tax-deferred — or, in the case of Roth accounts, tax-free. But annual contributions are limited by tax law, and any unused limit can't be carried forward to make larger contributions in future years.

This means that, once the contribution deadline has passed, the tax-advantaged savings opportunity is lost forever. So it's a good idea to use up as much of your annual limit as possible.

### **Contribution options**

The 2016 limit for total contributions to all IRAs generally is \$5,500 (\$6,500 if you were age 50 or older on December 31, 2016). If you haven't already maxed out your 2016 limit, consider making one of these types of contributions by April 18:

1. **Deductible traditional.** If you and your spouse don't participate in an employer-sponsored plan such as a 401(k) — or you do but your income doesn't exceed certain limits — the contribution is fully deductible on your 2016 tax return. Account growth is tax-deferred; distributions are subject to income tax.
2. **Roth.** The contribution isn't deductible, but qualified distributions — including growth — are tax-free. Income-based limits, however, may reduce or eliminate your ability to contribute.
3. **Nondeductible traditional.** If your income is too high for you to fully benefit from a deductible traditional or a Roth contribution, you may benefit from a nondeductible contribution to a traditional IRA. The account can still grow tax-deferred, and when you take qualified distributions you'll be taxed only on the growth. Alternatively, shortly after contributing, you may be able to convert the account to a Roth IRA with minimal tax liability.

Want to know which option best fits your situation? Contact us.