Can You Still "Max Out" Your IRA?

The year is nearly over, but you still have time to make some beneficial financial moves — such as "maxing out" on your IRA.

Actually, you have until April 15, 2025, as the deadline to contribute to your IRA for the 2024 tax year. But if you can afford it, why not put in the extra money now and get it working for you?

For 2024, you can put in up to $7,000 to an IRA, or up to $8,000 if you're age 50 or older. If you already have a traditional or Roth IRA, you know the benefits, but if you don't have either, here's a quick summary of both:

• *Traditional IRA* – With a traditional IRA, your earnings grow tax-deferred and your contributions can be tax-deductible. If you and your spouse don't have access to a 401(k) or similar employer-sponsored plan, you can deduct the full amount of your IRA contributions, up to the contribution limit. But if you are covered by an employer-sponsored plan, you can take a full or partial deduction if your modified adjusted gross income is less than $143,000 if you're married and file jointly, and less than $87,000 if you're a single filer.

• *Roth IRA* – Roth IRA contributions are not tax-deductible, but your earnings can grow tax-free, provided you've had your account at least five years and you don't start withdrawing the earnings until you're age 59 ½. And because you're investing with after-tax dollars, you can withdraw contributions – not the earnings – at any time, for any purpose, without taxes or penalties. You can make a full or partial contribution if your modified adjusted gross income is less than $240,000 if you're married and file jointly and less than $161,000 if you're a single filer.

What if your income level allows you to choose between the two IRAs? if you think you'll be in a higher tax bracket when you retire, you might want to consider a Roth IRA. Conversely, if you think you might be in a lower tax bracket upon retirement, you might lean toward a traditional IRA, as you'd get the tax benefits now. Everyone's situation is different, though, so you may want to consult your tax advisor.

In any case, given the tax advantages, you've got a strong incentive to fully fund an IRA each year. Furthermore, you can put almost any investment – stocks, bonds, mutual funds and so on – into an IRA, so you can create a portfolio that matches your needs and risk tolerance.

You do have time to fully fund your IRA for the 2024 tax year, but going forward, you may want to avoid pushing up against the deadline to complete your IRA contributions. So, consider putting aside a regular amount each month by having the money automatically moved from your savings or checking account to your IRA. But if it's still difficult to come up with these amounts every month, you could put in what you can afford and then add other funds, such as a year-end bonus or a tax refund, when you receive them.

But whether you wait until the tax deadline, or do it earlier in the year, try to consistently max out on your IRA. Over time, you may be glad you did.

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Dec. 9, 2024
541 words