

2021 Limits for IRAs, 401(k)s and More

Numbers to know for the new year.

Provided by Scott E. Holstein, CPA, PFS, CFP®

On October 26, the Treasury Department released the 2021 adjusted figures for retirement account savings. Although these adjustments won't bring any major changes, there are some minor elements to note.

401(k)s. The salary deferral amount for 401(k)s remains the same at \$19,500, while the catch-up amount of \$6,500 also remains unchanged. However, the overall limit for these plans will increase from \$57,000 to \$58,000 in 2021.¹

Individual Retirement Accounts (IRA). The limit on annual contributions remains at \$6,000 for 2021, and the catch-up contribution limit is also unchanged at \$1,000.²

Roth IRAs. Roth IRA account holders will experience some slightly beneficial changes. In 2021, the Adjusted Gross Income (AGI) phase-out range will be \$198,000 to \$208,000 for couples filing jointly. This will be an increase from the 2020 range of \$196,000 to \$206,000. For those who file as single or as head of household, the income phase-out range has also increased. The new range for 2021 will be \$125,000 to \$140,000, up from the current range of \$124,000 to \$139,000.³

Although these modest increases won't impact many, it's natural to have questions anytime the financial landscape changes. If you're curious about any of the above, speak to your financial or tax professional for more information.

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Citations.

1. IRS.gov, October 26, 2020
2. IRS.gov, October 26, 2020
3. IRS.gov, October 26, 2020