

Important Information Regarding Your Traditional and Roth IRA for 2021 and 2020

Below is an update of certain IRS limit changes due to cost of living increases and a summary of recent law changes.

IRA Changes for 2021

Income Limit Level Changes: Single Taxpayer Eligibility increased to \$66,000 (+\$1,000); Phase out \$66,001 to \$76,000
Married Taxpayer Eligibility increased to \$105,000 (+\$1,000); Phase out \$105,001 to \$125,000

Roth IRA Changes for 2021

Income Limit Level Changes: Single Taxpayer Eligibility increased to \$125,000; Phase out \$125,001 to \$140,000
Married Taxpayer Eligibility increased to \$198,000; Phase out \$198,001 to \$208,000

Please see below for more detailed information.

Traditional and Roth IRA		
	2020	2021
IRA Annual Contribution Limit:		
Contribution Limit	\$6,000	\$6,000
50+ Catch-up	\$1,000	\$1,000
AGI Limits for Deductible Contributions to a Traditional IRA		
Active Participants in Employer Plans		
Married Filing Jointly	\$104,001-\$124,000	\$105,001-\$125,000
Married Filing Separately	\$0-\$10,000	\$0-\$10,000
All Others	\$65,001-\$75,000	\$66,001-\$76,000
Nonparticipant Married to Active Participant	\$195,001-\$205,000	\$198,001-\$208,000
Neither Spouse is Active Participant		
AGI Limits for Roth IRA Contributions		
Married Filing Jointly	\$196,001-\$206,000	\$198,001-\$208,000
Married Filing Separately	\$0-\$10,000	\$0-\$10,000
All Others	\$124,001-\$139,000	\$125,001-\$140,000

Employer-Sponsored Retirement Plans		
	2020	2021
401(k), 403(b), 457(b), Salary Deferral	\$19,500	\$19,500
SARSEP 50+ Catch-up	\$6,500	\$6,500
SIMPLE Salary Deferral	\$13,500	\$13,500
50+ Catch-up	\$3,000	\$3,000

Savers Credit for IRA Contributions. This tax credit was originally available for contributions made for taxable years beginning after December 31, 2001, and before January 1, 2007, under EGTRRA. The credit was made permanent under PPA. Also, as a result of PPA, the AGI limits which determine eligibility to receive the tax credit will now be subject to cost-of-living adjustments (COLA).

SEP-IRA Contributions. If you are a participant in a SEP plan offered by your employer, your employer may make annual SEP contributions on your behalf up to the lesser of 25% of compensation, or \$58,000, per participant for 2021 (\$57,000 for 2020). The limit is indexed for cost-of-living adjustments in \$1,000 increments in subsequent years. An employee cannot be excluded if his annual compensation is over \$600. The maximum compensation on which contributions to SEPs and SARSEPs can be based is \$290,000 in 2021 (\$285,000 in 2020), and indexed for cost-of-living adjustments in \$5,000 increments in subsequent years.

New IRA One-Per-Year Limit Rollover Rule. After a U.S. Tax Court Ruling, beginning on January 1, 2015, only one rollover is allowed within a 12-month period no matter how many IRA or Roth accounts you may have. Another rollover from any of your IRA accounts within 12 months will be treated as a distribution and will be subject to income tax or penalty, if any. However, IRS considers that direct IRA to IRA rollovers in a year, if they are done on a trustee to trustee or custodian to custodian direct transfer basis, are not treated as distributions regardless of how many times they are done within one year. IRA trustees or custodians, however, may have their own company rules to restrict the number of rollovers you can have in a year. For example, if you want to move some money from an IRA with Bank A to your other IRA with Insurance Company B you can either: a) ask Bank A to send your IRA check directly to Insurance Company B and credit it into your IRA account, or b) ask Bank A to make the check payable to Insurance Company B for the benefit of your IRA and you send the check to Insurance Company B to credit it to your IRA. This is called direct trustee to trustee transfer and will not trigger a taxable event no matter how many times this is done within a year.

Inherited/Beneficiary Rollover IRA. Beginning in 2007, if you are an eligible non-spouse beneficiary who inherited a distribution from a qualified retirement plan, you may directly rollover the inherited assets into an inherited IRA subject to the rules applying to an inherited account and subject to the beneficiary distribution requirements.

Rollovers of Designated Roth Account. Roth salary reduction account distributed from a 401(k) cash or deferred arrangement or from a 403(b) tax-sheltered annuity may be rolled into your Roth IRA. The period that the rolled over funds were in the employer-sponsored plan do not count toward the determination of the 5-year period in the Roth IRA. However, if an individual had established a Roth IRA a year prior to the rollover, the 5-year period for determining qualified distributions from the Roth IRA, which began with the first contribution to that Roth IRA, would also apply to any funds subsequently rolled over from an employer-sponsored plan.

Adjusted Gross Income for 2020			
Joint Return	Head of a Household	All Other Cases	Applicable Percentage
\$1-\$39,000	\$1-\$29,250	\$1-\$19,500	50
\$39,001-\$42,500	\$29,251-\$31,875	\$19,501-\$21,250	20
\$42,501-\$65,000	\$31,876-\$48,750	\$21,251-\$32,500	10
Over \$65,000	Over \$48,750	Over \$32,500	0

Adjusted Gross Income for 2021			
Joint Return	Head of a Household	All Other Cases	Applicable Percentage
\$1-\$39,500	\$1-\$30,375	\$1-\$20,250	50
\$39,501-\$42,500	\$30,376-\$32,625	\$20,251-\$21,750	20
\$42,501-\$66,000	\$32,626-\$49,500	\$21,751-\$33,000	10
Over \$66,000	Over \$49,500	Over \$33,000	0

Rollovers from Employer-Sponsored Retirement Plans. Distributions taken from your qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) government deferred compensation plan after December 31, 2007 may be rolled over to your Roth IRA.

Direct Contribution of tax refunds to IRAs. The Pension Protection Act of 2006 (PPA) allows taxpayers to direct that a portion of his or her federal income tax refund may be directly deposited into taxpayer's IRA as a contribution. In certain cases, taxpayers must complete IRS Form 8888 to direct the contribution to their IRA provider.

The PPA (Pension Protection Act of 2006), as well as certain other legislative changes, included provisions that affect distributions from IRAs and Roth IRAs are described as below:

Designated Roth Account Rollovers and the 5-Taxable-Year Period of Participation. If there is a rollover of designated Roth account assets from an employer-sponsored plan to a Roth IRA, the period that the rolled-over funds were in the employer-sponsored plan do not count toward the determination of the 5-year period in the Roth IRA. However, if an individual had established a Roth IRA in a year prior to the rollover, the 5 year period for determining qualified distributions from the Roth IRA, which began with the first contribution to that Roth IRA, would also apply to any funds subsequently rolled over from an employer-sponsored plan.

Health Savings Account Transfer.

2021 Contributions		
	2020	2021
Single	\$3,550	\$3,600
Family	\$7,100	\$7,200
<i>55 & over additional contributions</i>		
Single	\$4,550	\$4,600
Family	\$8,100	\$8,200

Beginning in 2007 you will be allowed a one-time, tax-free transfer from an IRA to use toward your annual Health Savings Account contribution. Eligible individuals may make an irrevocable one-time, tax-free "qualified Health Savings Account funding distribution" from an IRA and move it directly into a Health Savings Account, subject to strict requirements. The Health Savings Account funding distribution must be directly transferred from the IRA custodian or trustee to the Health Savings Account custodian or trustee. The amount of the transfer cannot exceed the maximum Health Savings Account contribution limit for the year that the amount is transferred. The deposited amount is counted toward the individual's total Health Savings Account annual contribution limit.

be qualified to take an early withdrawal distribution from your IRA penalty free. You can recontribute the same amount to an IRA within two years after your active duty period ends. You cannot claim a tax deduction on the repayments. Please check IRS Publication 590 for more information.

You are encouraged to consult a tax advisor with respect to any tax questions to determine how these changes may affect your personal situation.

Qualified Reservist Distribution Relief. If you are a qualified reservist called to active duty after September 11, 2001, you may