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The Weekly Scenario: No One is Too Old to Make IRA Contributions Now

May 24, 2021
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By the time this article is published, 'tax season' for the 2020 reporting will be coming to a close. Tax season is the time when individuals have the opportunity of contributing to an IRA.

It is not well known, but one benefit the SECURE Act gave us was to do away with the age limit for traditional IRA contributions. Now, no one will be too old to contribute to an IRA. 2020 is the first year that those age 70 ½ and older can make traditional IRA contributions. As such, individuals who may still be working, even part-time, can continue to add to their retirement plan.

No one is ever too old to contribute to an IRA anymore. An individual must have earned income to contribute, but age is no longer a barrier. The SECURE Act did away with the age limit for traditional IRA contributions. This is good news for older individuals who may still be working, even part-time because they may be able to continue to add to their retirement savings.

Example: Mary is 80 and works part-time at a local market. She has earned income of $25,000 for 2020. Since the SECURE Act has eliminated the age limit for traditional IRA contributions, Mary can make a contribution to an IRA of $7,000. Mary will still have to take her minimum required distribution, however, if she had a balance on December 31 of the previous year.

In order to make an IRA contribution, one must have earned income. This means salary from a job or self-employment income. One exception to the 'rule' is for a spousal IRA for a nonworking spouse. A nonworking spouse can make a contribution based on a working spouse's earned income. Contributions would be made to the nonworking spouse's IRA. Any IRA contributions to that nonworking spouse's IRA from earned income (at a future time) can also be made to the same IRA.

As always, if you have any questions or would like to learn more, please contact Steve Shane at sshane@offitkurman.com or 301.575.0313.