

Traditional IRA

Overview

A traditional individual retirement account (IRA) is a tax-deferred account designed specifically for retirement savings. Advantages of the traditional IRA are that contributions may be deductible, and generally, amounts in an IRA are not taxed until they are distributed.

Investment Choices

An Edward Jones self-directed traditional IRA allows an individual to invest in a wide variety of investments, including stocks, bonds, mutual funds, CDs and money market.

Contributions

An individual may contribute up to the lesser of 100% of their taxable compensation or the applicable limit below. Beginning tax year 2020, an individual is eligible to contribute to a Traditional IRA, regardless of age, as long as they have taxable compensation.

Note: 2019 and prior years, contributions could not be made for the year an individual turned 70 ½ and older.

Contribution Type	2019	2020
Regular Limit	\$6,000	\$6,000
Catch-Up (Age 50 and up)	\$1,000	\$1,000
Total Possible (If age 50 and up)	\$7,000	\$7,000

Additional Rules:

- **Spousal Contributions** - Contribution can be made for a non-working spouse if the couple is married, files a joint return and the working spouse has taxable compensation.
- **Deadlines** - Contributions can be made at any time during the year up to the tax-filing deadline, not including extensions (generally April 15th).
- **Deductions and Credits** - Contributions may be deductible (see below) and may also produce a tax credit (See "Savers Credit" in IRS Publication 590).
- **Contributions must be made in cash** - By check, money order or transfer.
- **Traditional and Roth Contributions for Same Individual** - The stated limit is the maximum an individual can contribute between both Roth and traditional IRAs.
- **Catch-Up Contributions** - Can be made for the year in which the individual turns age 50 or older, beginning in the year the individual turns age 50 by December 31st.

Deductibility

Traditional IRA contributions may be deductible on an individual's tax return. Whether the contributions are deductible depends upon the following rules:

- If neither an individual nor their spouse (if married) is an active participant in an employer-sponsored retirement plan, a full deduction can be taken regardless of Modified Adjusted Gross Income (MAGI).
- If either an individual or their spouse (if married) is an active participant in an employer-sponsored retirement plan, refer to the appropriate MAGI phase-out range below to determine eligibility for a deduction.

Modified Adjusted Gross Income (MAGI) Phase-Out Ranges

Filing Status	Covered by Employer's Retirement Plan?	2019	2020	Deductibility
Single or Head of Household	No	Any Amount	Any Amount	Full Deduction
	Yes	\$64,000 or less	\$65,000 or less	Full Deduction
		\$64,001 - \$73,999	\$65,001 - \$74,999	Partial Deduction
		\$74,000 or more	\$75,000 or more	No Deduction
Married Filing Jointly	Neither Spouse	Any Amount	Any Amount	Full Deduction
	Both Spouses Covered	\$103,000 or less	\$104,000 or less	Full Deduction
		\$103,001 - \$122,999	\$104,001 - \$123,999	Partial Deduction
		\$123,000 or more	\$124,000 or more	No Deduction
	One Spouse Covered – for covered spouse	\$103,000 or less	\$104,000 or less	Full Deduction
		\$103,001 - \$122,999	\$104,001 - \$123,999	Partial Deduction
		\$123,000 or more	\$124,000 or more	No Deduction
	One Spouse Covered – for non-covered spouse	\$193,000 or less	\$196,000 or less	Full Deduction
		\$193,001 - \$202,999	\$196,001 - \$205,999	Partial Deduction
		\$203,000 or more	\$206,000 or more	No Deduction

Married couples filing a separate tax return will use the single filer range (above) if they did not live together at any time during the tax year and the individual is an active participant. If the couple lived with their spouse at any time during the tax year, the phase-out range is \$0 to \$10,000 if either spouse is considered an active participant.

Traditional IRA

Non-Deductible Contributions

Individuals may contribute to a traditional IRA even if they cannot deduct the contribution – this is called a "non-deductible contribution." Non-deductible contributions are reported on IRS Form 8606 for each year a non-deductible contribution is made.