Still Time to "Max Out" Your IRA

As the year winds down, you might be wondering whether you still have time to make some positive financial moves — and you do. One productive action to consider is "maxing out" on your individual retirement account (IRA).

You have until April 15, 2024, to contribute to your IRA for the 2023 tax year. But if you can afford it, why not put in the extra money now and get it working for you as soon as possible?

For 2023, you can put up to $6,500 into an IRA, plus an additional $1,000 catch-up contribution if you're 50 or older. (This limit rises to $7,000, plus the $1,000 catch-up amount, in 2024.) If you already have a traditional or Roth IRA, you may know the benefits, but if you don't have either, here's a quick summary:

• *Traditional IRA* – When you invest in a traditional IRA, your earnings grow tax deferred and your contributions may qualify for a tax deduction. If you and your spouse don't participate in 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 or your spouse invest in an employer-sponsored plan, you may be able to take a full or partial deduction if you are married and filing jointly, with a modified adjusted gross income of $136,000 or less. For single filers, this figure is $83,000. (For the 2024 tax year, these figures rise to $143,000 if you're married and file jointly, and $87,000 if you're a single filer.)

• *Roth IRA* – By investing in a Roth IRA, your contributions are not tax deductible, but your earnings can grow tax free provided you've held your account at least five years and you don't start withdrawing the earnings until you're 59½. 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 may be eligible for a full or partial contribution if your modified adjusted gross income is less than $228,000 married and filing jointly, or less than $153,000 if you're a single filer. (For 2024, these figures are less than $240,000 if you're married and file jointly, and less than $161,000 if you're a single filer.)

These tax advantages provide 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 goals and risk tolerance.

You can still fully fund your IRA for the 2023 tax year, but as you continue to save, you might find a more efficient way to reach the maximum, such as setting aside a regular amount each month. To make it as stress-free as possible, you can have the money automatically moved from your savings or checking account to your IRA. 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.

Any time you contribute to your IRA is a good time — but if you can do it early, or have a savings strategy throughout the year, you can avoid the last-minute dash to put in the cash.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

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