25th Anniversary

TAYLOR FINANCIAL GROUP, LLC
THE RIGHT PARTNER CAN MAKE ALL THE DIFFERENCE

CELEBRATING 25 YEARS!

Announcement

January 30, 2024

There's Still Time to Contribute to Your IRA for 2023!

Making a last-minute contribution to an IRA may help you reduce your 2023 tax bill. If you qualify, your Traditional IRA contribution may be tax deductible. And if you had low to moderate income and meet eligibility requirements, you may also be able to claim the Saver's Credit for 2023 based on your contributions to a Traditional or Roth IRA. Claiming this nonrefundable tax credit may help reduce your tax bill and give you an incentive to save for retirement. For more information, visit irs.gov.

Even though tax filing season is well underway, there's still time to make a regular IRA contribution for 2023. You have until your tax return due date (not including extensions) to contribute up to $6,500 for 2023 ($7,500 if you were age 50 or older on or before December 31, 2023). **For most taxpayers, the contribution deadline for 2023 is April 15, 2024.**

You can contribute to a Traditional IRA, a Roth IRA, or both, as long as your total contributions don't exceed the annual limit (or, if less, 100% of your earned income). You may also be able to contribute to an IRA for your spouse for 2023, even if your spouse didn't have any 2023 income.

Traditional IRA

You can contribute to a Traditional IRA for 2023 if you had taxable compensation. However, if you or your spouse were covered by an employer-sponsored retirement plan in 2023, then your ability to deduct your contributions may be limited or eliminated, depending on your filing status and modified adjusted gross income (MAGI) ***(per the IRS, see table below).*** Even if you can't make a deductible contribution to a Traditional IRA, you can always make a nondeductible (after-tax) contribution, regardless of your income level. However, if you're eligible to contribute to a Roth IRA, in most cases you'll be better off making nondeductible contributions to a Roth, rather than making them to a Traditional IRA.

If Your Filing Status Is...	And Your Modified AGI Is...	Then You Can Take...
single or **head of household**	$73,000 or less	a full deduction up to the amount of your contribution limit.
single or **head of household**	more than $73,000 but less than $83,000	a partial deduction.
single or **head of household**	$83,000 or more	no deduction.
married filing jointly or **qualifying widow(er)**	$116,000 or less	a full deduction up to the amount of your contribution limit.
married filing jointly or **qualifying widow(er)**	more than $116,000 but less than $136,000	a partial deduction.
married filing jointly or **qualifying widow(er)**	$136,000 or more	no deduction.
married filing separately	less than $10,000	a partial deduction.
married filing separately	$10,000 or more	no deduction.

Roth IRA

You can contribute to a Roth IRA if your MAGI is within certain limits. For 2023, if you file your federal tax return as single or head of household, you can make a full Roth contribution if your income is less than $138,000. Your maximum contribution is phased out if your income is between $138,000 and $153,000, and you can't contribute at all if your income is $153,000 or more. Similarly, if you're married and file a joint federal tax return, you can make a full Roth contribution if your income is less than $218,000. Your contribution is phased out if your income is between $218,000 and $228,000, and you can't contribute at all if your income is $228,000 or more. If you're married filing separately, your contribution phases out with any income over $0, and you can't contribute at all if your income is $10,000 or more ***(per the IRS, see table below).***

If your filing status is...	And your modified AGI is...	Then you can contribute...
married filing jointly or **qualifying widow(er)**	< $218,000	up to the limit
married filing jointly or **qualifying widow(er)**	≥ $218,000 but < $228,000	a reduced amount
married filing jointly or **qualifying widow(er)**	≥ $228,000	zero
married filing separately and you lived with your spouse at any time during the year	< $10,000	a reduced amount
married filing separately and you lived with your spouse at any time during the year	≥ $10,000	zero
single, **head of household**, or **married filing separately** and you did not live with your spouse at any time during the year	< $138,000	up to the limit
single, **head of household**, or **married filing separately** and you did not live with your spouse at any time during the year	≥ $138,000 but < $153,000	a reduced amount
single, **head of household**, or **married filing separately** and you did not live with your spouse at any time during the year	≥ $153,000	zero

Backdoor Roth IRA Conversion

Even if you can't make an annual contribution to a Roth IRA because of the income limits, there's an easy workaround. You can make a nondeductible contribution to a traditional IRA and then immediately convert that traditional IRA to a Roth IRA. This is known as a **Backdoor Roth Conversion.** Keep in mind, however, that you'll need to aggregate all traditional IRAs and SEP/SIMPLE IRAs you own — other than IRAs you've inherited — when you calculate the taxable portion of your conversion. (This is sometimes called a "back-door" Roth IRA.) If you make a contribution — no matter how small — to a Roth IRA for 2023 by your tax return due date and it is your first Roth IRA contribution, your five-year holding period for taking qualified tax-free distributions from all your Roth IRAs (other than inherited accounts) will start on January 1, 2024.

If you have any questions, don't hesitate to reach out.

Thanks and Regards,

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