New Year, New Retirement Plan Rules

The Impact on Your Contributions

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The New Year ushers in many financial changes – new tax laws, tax extenders and, most notably if you're planning for your future – new rules for retirement plans. The good news is you can contribute more this year. Here is a look at the changes for 2015 that could impact your retirement planning, along with important tax tips to keep in mind as you prepare to file your 2014 return.

401(k) contribution limits are going up

In 2015, you can contribute up to $18,000 to 401(k), 403(b) and 457 plans. That's a $500 increase from 2014. The catch up contribution limit for those who are age 50 and older is also getting a $500 bump – to $6,000 this year.

IRA contribution limits are staying the same

The limit will remain at $5,500 for 2015. Investors 50 and older can contribute an extra $1,000, but remember that amount is not eligible for an annual cost of living adjustment.

As you prepare to file your 2014 tax return, keep in mind:

- You have until April 15, 2015 to make an IRA contribution for 2014.
- You must have earned income to make an IRA contribution (wages or self-employment income)
- If you contributed more than the IRA limits for 2014, there is a six percent tax on the excess amount. If you withdraw the extra money by the due date of your 2014 tax return, including extensions, you can avoid the tax.
- If you turned 70 ½ last year, you must take a required minimum distribution from your traditional IRA by April 1, 2015.

IRA income phase outs are getting higher

The tax deduction is phased out for individual investors who have a workplace retirement plan and a modified adjusted gross income (AGI) between $61,000 and $71,000. For couples, it's phased out between $98,000 and $118,000. If you do not have a workplace retirement plan, but you are married to someone who has one, the deduction is phased out for couples with an AGI between $183,000 and $193,000.

Roth IRA income cutoffs are increasing

The income limit is increasing $2,000 for individuals to between $116,000 and $131,000. For married couples, it's $183,000 and $193,000. If you earn more than the income cutoffs, you may still be able to convert traditional IRA assets to a Roth IRA.

Only one IRA rollover is allowed

In 2015, you can only rollover one IRA to another in any 12 month time frame. More than one IRA rollover in a year could mean you have to pay income taxes on the rollover – a 10% early withdrawal penalty and a 6% excess contributions tax per year for as a long as the rollover stays in the IRA.

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