

Seeking IRA Contributions by April 15, 2015
 excerpt from January 2015 Pension Digest

U.S. taxpayers are not taking advantage of IRAs as one would expect and hope. Many younger individuals have not grown up with IRAs being common. Many individuals do not understand that a person is able to contribute to both a traditional IRA and the 401(k) plan at work.

The IRS has recently released their tax data for tax year 2012. April 15th and the end of the 2014 tax year is close at hand. This is the deadline for contributions to a traditional IRA and a Roth IRA for 2014. The deadline for SEP-IRAs and SIMPLE-IRAs may be extended if a tax extension is in effect.

These 2012 IRA statistics show there is a substantial balance in IRAs (5.4 trillion dollars), with 86% of it (4.6 trillion) with-in traditional IRAs. This is primarily due to rollovers from 401(k) and other pension plans. These statistics also shows there should be larger "annual" IRA contributions. There were 198.6 million taxpayers for tax year 2012. 65.8 million individuals were covered by a pension plan and so they were active participants for IRA deduction purposes. There were 146.2 million taxpayers who were eligible to make either a traditional and/or Roth IRA contribution. Some individuals were only eligible to make non-deductible contributors. 80.4 million taxpayers were eligible to make deductible contributions as they had compensation and they were not covered by an employer sponsored pension plan. 11.3 million taxpayers made contributions to the four types of IRA assets set forth in Chart #1. \$50.7 billion was contributed with 17.6 billion to Roth IRAs, 14.1 billion to traditional IRAs, 11.4 billion to SEP IRAs and 7.5 billion to SIMPLE IRAs. 135 million taxpayers were eligible to make an IRA contribution, but they chose not to do so. This number is much larger than it should be. The tax benefits of IRAs are substantial, but not so substantial that a large percentage of individuals make an IRA contribution.

As you would expect, the percentage of those individuals with higher incomes who make an IRA contribution is higher than the percentage applying to those with lesser incomes. But it is not as high as one would expect. For individuals who have adjusted gross incomes of \$1 million or more, 413,157 out of a total of 718,895 are eligible to make a IRA contribution. Only 99,076 or 24% do so. In this day and age of financial planners one does wonder why the other 76% do not see the benefit to make an IRA contribution. For individuals who have adjusted gross incomes of \$100,000 - \$200,000, 21.7 million out of a total of 28.5 million are eligible to make a IRA contribution. Only 3.3 million or 15% do so. For individuals who have adjusted gross incomes of \$50,000 - \$75,000, 21.4 million out of a total of 28.7million are eligible to make a IRA contribution. Only 1.9million or 9% do so. It is 7.6% for those individuals with incomes between \$40,000 -

Deadlines for 2014 5498 Forms

Type of Account	Type of Form	Due to Owner	Due to IRS
Traditional	5498	6/1/15	6/1/15
Roth	5498	6/1/15	6/1/15
HSA	5498-SA	6/1/15	6/1/15
CESA	5498-ESA	4/30/15	6/1/15

\$50,000. It is 5.7% for those individuals with incomes between \$30,000-\$40,000. For individuals who have adjusted gross incomes of less than \$30,000, 56.0 million out of a total of 78.0 million are eligible to make a IRA contribution. Only 1.3 million or 0.2% do so. Of the 11.3 million taxpayers who had IRA contributions, only 3.5 million were made by individuals who claimed a tax deduction on their personal tax return. Remember that the 5.5 million Roth IRA contributions are unable to claim a

tax deduction for their contributions. A total of 1.6 million taxpayers had a SIMPLE IRA contribution. Only 97,000 taxpayers claimed a deduction on their tax returns. This means that 1.5 million contributions are made by a business on behalf of its employees. A total of .98 million taxpayers had a SEP-IRA contribution. 383.6 thousand taxpayers did claim a deduction on their tax return. This indicates that many one-person businesses have a SEP. However, small employers also will sponsor a SEP for their employees as the statistics show contributions being made for 600,000 employees. All IRA custodians want to service those individuals rolling over funds from 401(k) plans and other IRAs. Rollover contributions totaled 300 billion in 2012. The average rollover was \$74,800. The average rollover into a Roth IRA was \$18,000. Only 1.4% of rollovers went into a Roth IRA. This will certainly increase dramatically in future years as the law now permits individuals to rollover 401(k) funds directly into a Roth IRA. See the newsletter for an article discussing new IRS rules making it easier to rolling over basis into a Roth IRA. And individuals are increasing their Roth IRA conversions as 415,243 did a conversion which averaged \$38,344. Under existing tax laws a person wants to maximize the amount he or she has

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in a Roth IRA. More people should be making IRA contributions than do. An excellent planning tool is not be used to the degree it should be. It is never too late to start making IRA contributions. Individuals should be making 401(k) contributions and IRA contributions and not just 401(k) contributions. During the next 45-75 days a financial institution should be seeking IRA/SEP/SIMPLE-IRA contributions and Roth IRA contributions. The maximum IRA contribution limits for 2014 and 2015 is \$5,500 if under age 50 and \$6,500 if age 50 or older. The maximum SEP contribution for 2014 is \$52,000 and \$53,000 for 2015.