

THE Pension Digest

July 2021
Published Since 1984

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IRAs and 401(k) Contributions - Substantial Portion of US Household Wealth and Statistics Regarding Traditional IRA and Roth IRA Contributions

Set forth below is a chart showing the composition of wealth by asset type in the United States. 61.7 % of household wealth is attributable to retirement accounts and home equity. Retirement accounts (32.8%) represent the asset type with the largest percentage with home equity being second with 28.9%

IRA and 401(k) contributions along with earnings comprise the value of retirement accounts.

As long as a person is still working that person is eligible to make a traditional IRA contribution. A Person is ineligible to make a Roth IRA contribution when their AGI is too high. The 2020 census determined there were approximately 331 million people at mid year 2020. There were 208 million tax returns filed for 2018. 161.2 million people or 77% were eligible to make an IRA contribution, either a traditional or a Roth IRA contribution.

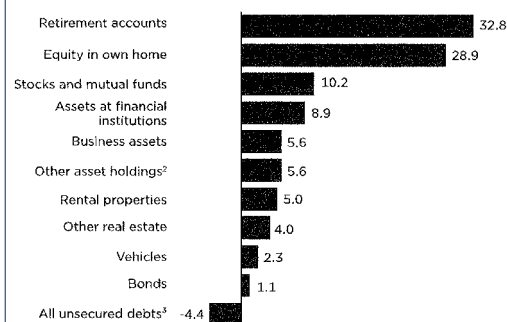
A person who is a participant of a 401(k) plan or other employer sponsored plan is eligible to make either a traditional IRA contribution or a Roth IRA contribution. That is, a person can make both a traditional IRA contribution (or a Roth IRA contribution) and a 401(k) contribution. The person may make the traditional IRA Contribution but some portion may be non-deductible. The person might be ineligible to make a Roth IRA contribution if their income exceeds the applicable limits.

There are more annual Roth IRA contributions being made than traditional IRA contributions. The amount of Roth IRA contributions now exceed those made to traditional IRAs. The charts on the following pages show important IRA contribution statistics.

Financial institutions want to service all IRA contribution types, but there should be special work to gain SEP-IRA and rollover contributions.

CWF's Suggestion. The law change made in 1986 needs to be repealed. That law change meant that many taxpayers became ineligible to claim a tax deduction for their contribution to their traditional IRA. 63% of taxpayers are still not covered by a retirement plan. As a partial solution to this problem, the tax incentives to make IRA contributions should be increased. An IRA allows a person to fund their own one person pension plan. For example, taxpayers with incomes less than \$40,000 should be able to deduct 125% of their contribution rather than 100% and could be allowed to contribute more than the standard contribution amount.

Figure 1.
Composition of Wealth by Asset Type: 2017¹
(In percent)



¹Excludes households in the top 1 percent of wealth.

²Includes annuities, trusts, cash life insurance policies, educational savings accounts, mortgages held for sale of real estate, amount due from sale of business property, and other financial assets.

³Because wealth is assets minus debts, unsecured debts are subtracted from the distribution of wealth and are shown as negative.

Source: U.S. Census Bureau, Survey of Income and Program Participation, Survey Year 2018.

How Many Taxpayers Were Eligible To Make An IRA Contribution in 2018?						
Size of AGI	Number of Taxpayers Who Filed Form 1040					
	Total	AGI %	Eligible to make IRA Contributions	Effective %		
No AGI	2,625,895	1.26%	740,673	0.46%		28.21%
\$1 under \$5,000	9,868,123	4.73%	7,196,446	4.46%		72.93%
\$5,000 under \$10,000	10,838,370	5.20%	8,668,861	5.38%		79.98%
\$10,000 under \$15,000	12,692,668	6.09%	10,012,344	6.21%		78.88%
\$15,000 under \$20,000	11,549,440	5.54%	9,057,224	5.62%		78.42%
\$20,000 under \$25,000	11,215,306	5.38%	8,806,086	5.46%		78.52%
\$25,000 under \$30,000	10,636,811	5.10%	8,347,386	5.18%		78.48%
\$30,000 under \$40,000	18,840,407	9.03%	14,938,869	9.26%		79.29%
\$40,000 under \$50,000	15,196,583	7.29%	11,819,365	7.33%		77.78%
\$50,000 under \$75,000	30,013,354	14.39%	23,186,259	14.38%		77.25%
\$75,000 under \$100,000	21,873,253	10.49%	16,839,112	10.44%		76.98%
\$100,000 under \$200,000	37,392,178	17.93%	29,775,353	18.46%		79.63%
\$200,000 under \$500,000	12,757,825	6.12%	9,761,430	6.05%		76.51%
\$500,000 under \$1,000,000	2,048,676	0.98%	1,476,507	0.92%		72.07%
\$1,000,000 or more	989,079	0.47%	640,385	0.40%		64.75%
All taxpayers	208,537,968	100.00%	161,266,300	100.00%		77.33%

IRS IRA Statistics

2018 Annual IRA Contributions

1. 161,266,300 taxpayers were eligible to make an IRA contribution.
2. There was a total of 208,537,968 taxpayers.
3. 13.97 million taxpayers made one of the four types of IRA contributions.
4. 77.33% of taxpayers were eligible, but only 13.97/161 elected to make a contribution.
This was 8.0%
5. For those with less than \$30,000 of income, less than 6% will make an IRA contribution.
6. For those with incomes of \$50,000 to \$75,000 14.38% make an IRA contribution.
7. For those with incomes of \$100,000 to \$200,000 18.46% make an IRA contribution.
8. Note that only 1% or less of individuals with incomes above \$500,000 or more make an IRA contribution.

How Many Taxpayers Participated In a Retirement Plan For IRA Deduction Purpose?					
Size of AGI	Number of Taxpayers Who Filed Form 1040				% Taxpayers with Pension Coverage
	Total	AGI %	With Pension Coverage on Forms W-2	Eligible %	
No AGI	2,625,895	1.26%	144,970	0.19%	5.52%
\$1 under \$5,000	9,868,123	4.73%	488,492	0.63%	4.95%
5,000 under \$10,000	10,838,370	5.20%	971,196	1.26%	8.96%
10,000 under \$15,000	12,692,668	6.09%	1,601,803	2.08%	12.62%
15,000 under \$20,000	11,549,440	5.54%	2,110,838	2.74%	18.28%
20,000 under \$25,000	11,215,306	5.38%	2,786,275	3.61%	24.84%
25,000 under \$30,000	10,636,811	5.10%	3,175,880	4.12%	29.86%
30,000 under \$40,000	18,840,407	9.03%	6,876,428	8.91%	36.50%
40,000 under \$50,000	15,196,583	7.29%	6,177,928	8.00%	40.65%
50,000 under \$75,000	30,013,354	14.39%	13,391,082	17.35%	44.62%
75,000 under \$100,000	21,873,253	10.49%	10,575,865	13.70%	48.35%
100,000 under \$200,000	37,392,178	17.93%	20,456,260	26.51%	54.71%
200,000 under \$500,000	12,757,825	6.12%	7,005,848	9.08%	54.91%
500,000 under \$1,000,000	2,048,676	0.98%	1,012,828	1.31%	49.44%
1,000,000 or more	989,079	0.47%	401,453	0.52%	40.59%
All taxpayers	208,537,968	100.00%	77,177,146	100.00%	37.01%

- 161,266,300 taxpayers were eligible to make an IRA contribution. That is, they had compensation.
- There are 208,537,968 taxpayers.
- Of the 208,537,968 taxpayers, there were 77,177,146 who are covered by a retirement plan so their traditional IRA contribution may not be fully deductible.
- However all of these 77,177,146 are eligible to make an IRA contribute (nondeductible or deductible) and also benefit by having a contribution made for them under the retirement plan. More people should take advantage of this right.
- 68.47% of those eligible had AGI of \$50,000 or more.
- Only 37.01% of taxpayers were active participants so 62.99% were not active participants.

Roth IRA Contributions 2018			
Age of taxpayer	Total		Average:
	Number of Taxpayers	Amount	
No age information	0	0	
Under 15	14,230	\$44,686.00	\$3,140.27
15 under 20	93,572	\$197,761.00	\$2,113.46
20 under 25	424,500	\$1,193,889.00	\$2,812.46
25 under 30	820,624	\$2,418,561.00	\$2,947.22
30 under 35	856,098	\$2,629,455.00	\$3,071.44
35 under 40	856,740	\$2,541,144.00	\$2,966.06
40 under 45	727,082	\$2,036,869.00	\$2,801.43
45 under 50	703,672	\$2,098,163.00	\$2,981.73
50 under 55	692,981	\$2,653,598.00	\$3,829.25
55 under 60	752,504	\$3,026,012.00	\$4,021.26
60 under 65	675,289	\$3,041,418.00	\$4,503.88
65 under 70	327,510	\$1,532,151.00	\$4,678.18
70 or over	173,973	\$846,884.00	\$4,867.90
All taxpayers	7,118,775	\$24,260,591.00	\$3,407.97

1. More than 7.1 million taxpayers made Roth IRA contributions. Total amount contributed was \$24.26 billion. The average contribution was \$3,408.
2. Contributions were made in all 13 age groups. In 10 of the groups the average contribution was in the range of \$1.19 billion to 3.04 billion. The largest average contribution was for the group age 60 but under age 65.
3. In 8 of the categories more than 692,000 taxpayers made contributions
4. Contributions of \$241 million were made by persons under age 20.
5. Contributions of \$847 million were made by persons age 70 or over.

How Many Tax Returns Reflected

Size of AGI	Number of Taxpayers	%	Amount	%	Average
No AGI	28,519	0.58%	\$4,071,989.00	0.76%	\$142,781.62
\$1 under \$5,000	55,410	1.13%	\$2,497,955.00	0.47%	\$45,081.30
\$5,000 under \$10,000	79,761	1.63%	\$2,547,440.00	0.48%	\$31,938.42
\$10,000 under \$15,000	122,493	2.50%	\$5,699,907.00	1.07%	\$46,532.51
\$15,000 under \$20,000	129,806	2.65%	\$3,427,014.00	0.64%	\$26,401.04
\$20,000 under \$25,000	143,087	2.92%	\$5,742,931.00	1.08%	\$40,135.94
\$25,000 under \$30,000	165,449	3.38%	\$5,446,897.00	1.02%	\$32,921.91
\$30,000 under \$40,000	310,689	6.35%	\$12,390,215.00	2.32%	\$39,879.80
\$40,000 under \$50,000	272,106	5.56%	\$14,775,532.00	2.77%	\$54,300.65
\$50,000 under \$75,000	702,400	14.36%	\$44,577,650.00	8.35%	\$63,464.76
\$75,000 under \$100,000	610,339	12.48%	\$58,609,500.00	10.98%	\$96,027.78
\$100,000 under \$200,000	1,395,784	28.53%	\$171,210,902.00	32.07%	\$122,662.89
\$200,000 under \$500,000	690,688	14.12%	\$141,399,320.00	26.49%	\$204,722.42
\$500,000 under \$1,000,000	128,469	2.63%	\$36,786,478.00	6.89%	\$286,345.17
\$1,000,000 or more	57,379	1.17%	\$24,650,983.00	4.62%	\$429,616.81
All taxpayers	4,892,379	100.00%	\$533,834,713.00	100.00%	\$109,115.57

A financial institution will benefit by being ready and able to service your customers wanting to make a rollover or direct rollover contribution. The size of rollovers may well exceed \$100,000. The average rollover amount for 2018 was \$109,116.

The following chart sets forth rollover information based on the AGI reflected in the tax return.

1. 534 billion was rolled over in 2018.
2. There were 4,892,379 tax returns reporting a rollover.
3. On a per tax return basis, 27% of rollovers applied to tax returns with less than \$50,000 of AGI. This means 73% of rollovers were reflected on tax returns showing income of more than \$50,000.
4. 89.4% of the 534 billion was attributable to those with AGI of \$50,000 or more or \$477 billion.
5. The average rollover was \$109,116.
6. The average rollover was \$429,617 for AGIs of \$1,000,000 or more.
7. The average rollover was \$286,345 for AGIs of \$500,000 - \$1,000,000
8. The average rollover was \$204,722 for AGIs of \$200,000- \$500,000

Preliminary Tax Data – IRA/Pension Statistics for 2019

Tax statistics may be boring, but they are important for many reasons. IRAs and 401(k) plans are tax preferred plans. Individuals receive tax benefits when they make contributions to such plans. The U.S. government is interested because the general tax rule is, when a person takes a distribution he or she must include that distribution in their income and pay the marginal tax rate applying to him or her.

\$1.1 trillion was withdrawn from IRAs and 401(k) plans and other pension plans in 2019. One can assume taxes of 20% - 37% were paid on these distributions.

The statistics below make clear an IRA and Keogh custodian wants to understand who its high income clients are. \$26.15 billion was contributed to SEP/SIMPLE/Keogh plans by self-employed individuals and 82.6% came from individuals with incomes of \$100,000 or more. The average contribution was \$27,110.

IRA contributions for 2019 totaled \$12.6 billion with over 67.82% coming from individuals with modified adjusted gross incomes in the range of \$50,000 - \$200,000. The average contribution was \$5,133.

CHART A – SEP/SIMPLE/Profit Sharing Chart

CHART B – Traditional IRA Chart

Year	Contribution Amount	Number of Contributors	Average Contribution	Year	Contribution Amount	Number of Contributors	Average Contribution
2003	\$16.9 billion	1.19 million	\$14,202	2003	\$10.16 billion	3.46 million	\$2,936
2004	\$18.0 billion	1.17 million	\$15,385	2004	\$10.20 billion	3.38 million	\$3,018
2005	\$19.4 billion	1.20 million	\$16,202	2005	\$12.21 billion	3.29 million	\$3,707
2006	\$20.2 billion	1.18 million	\$17,200	2006	\$12.77 billion	3.29 million	\$3,885
2007	\$20.1 billion	1.14 million	\$17,720	2007	\$13.19 billion	3.37 million	\$3,914
2008	\$18.5 billion	.97 million	\$19,072	2008	\$11.91 billion	2.78 million	\$4,284
2009	\$17.5 billion	.88 million	\$19,780	2009	\$11.49 billion	2.64 million	\$4,358
2010	\$17.2 billion	.87 million	\$19,776	2010	\$11.71 billion	2.63 million	\$4,449
2011	\$17.6 billion	.87 million	\$20,256	2011	\$11.26 billion	2.62 million	\$4,302
2012	\$19.2 billion	.88 million	\$21,843	2012	\$12.05 billion	2.61 million	\$4,608
2013	\$20.2 billion	.90 million	\$22,364	2013	\$13.30 billion	2.77 million	\$4,797
2014	\$20.8 billion	.93 million	\$22,438	2014	\$13.44 billion	2.75 million	\$4,896
2015	\$22.2 billion	.95 million	\$23,234	2015	\$13.25 billion	2.67 million	\$4,960
2016	\$22.15 billion	.93 million	\$22,798	2016	\$13.62 billion	2.69 million	\$5,056
2017	\$22.15 billion	.93 million	\$24,025	2017	\$13.63 billion	2.67 million	\$5,106
2018	\$25.14 billion	.97 million	\$25,793	2018	\$12.47 billion	2.47 million	\$5,000
2019	\$26.15 billion	.96 million	\$27,110	2019	\$12.58 billion	2.45 million	\$5,133

Deductible Traditional IRA Contributions

The number of tax returns claiming a deduction for a traditional IRA contribution increased slightly.

The amount contributed to traditional IRAs decreased to 12.58 billion.

What was the AGI of those who made traditional IRA contributions for 2019?

	Under \$15,000	\$15,001 to \$29,999	\$30,000 to \$49,999	\$50,000 to \$99,999	\$100,000 to \$199,999	\$200,000 Or more	Total
Number of Returns	88,051	279,314	420,991	834,074	675,535	152,043	2,450,008
% of Total Returns	3.59%	11.41%	17.18%	34.04%	27.57%	6.21%	100%
Contribution Amt. (in thousands)	\$303,336	\$1,011,950	\$1,656,543	\$4,058,792	\$4,060,136	\$1,485,003	\$12,575,760
% of Total Contr.	2.41%	8.05%	13.17%	32.27%	32.29%	11.81%	100%
Avg. Contr. Amt.	\$3,445	\$3,623	\$3,935	\$4,866	\$6,010	\$9,767	\$5,133

CWF Observations

1. The average IRA contribution, per return, was \$5,133 for 2019. The average was \$9,767 for those in the \$200,000 or more bracket.
2. 34.04% of all IRA contributions came from individuals with AGI between \$50,000-\$99,999.
3. 67.82% of all IRA contributions for 2019 came from individuals with AGI of \$50,000 or More.

SEP/SIMPLE/Keogh Deductible Contributions

1. The number of tax returns claiming a deduction for a self-employed person's contributions to a profit sharing, SEP or SIMPLE stayed constant at .96 million.
2. The amount contributed by self-employed individuals to a profit sharing plan, SEP or SIMPLE increased to 26.15 billion from 25.14 billion.

What was the adjusted gross income (AGI) of those who made SEP/SIMPLE/Keogh contributions?

	Under \$15,000	\$15,001 to \$29,999	\$30,000 to \$49,999	\$50,000 to \$99,999	\$100,000 to \$199,999	\$200,000 Or more	Total
Number of Returns	10,824	15,448	35,950	105,495	264,648	532,112	964,477
% of Total Returns	1.12%	1.60%	3.73%	10.94%	27.44%	55.17%	100%
Contribution Amt. (in thousands)	\$226,038	\$90,092	\$379,625	\$1,133,051	\$4,225,819	\$20,092,362	\$26,146,987
% of Total Contr.	.87%	.35%	1.45%	4.33%	16.16%	76.84%	100%
Avg. Contr. Amt.	\$20,883	\$5,832	\$10,560	\$10,740	\$15,968	\$37,760	\$27,110

CWF Observations on SEP/SIMPLE/Keogh Contributions for 2019

1. The average contribution per return is \$27,110 for 2019.
2. 76.84% of contributions (\$20.1 billion) come from individuals with AGI of \$200,000 or more.
3. 93% of contributions (24.3 billion) come from individuals with AGI of more than \$100,000.
4. The average contribution is \$37,760 for those with MAGI of \$200,000 or more.

IRA and Pension Distributions for 2019

(Based on AGI)

	Under \$15,000	\$15,001 to \$29,999	\$30,000 to \$49,999	\$50,000 to \$99,999	\$100,000 to \$199,999	\$200,000 Or more	Total
Number of Returns	4,235,400	4,643,059	5,311,015	10,109,283	7,689,962	3,023,734	35,012,453
% of Total Returns	12.10%	13.26%	15.17%	28.87%	21.97%	8.63%	100%
Distribution Amt. (in thousands)	\$32,851,959	\$63,723,531	\$100,828,046	\$305,870,077	\$384,899,347	\$228,185,939	\$1,116,358,899
% of Total Distrib.	2.94%	5.71%	9.03%	27.40%	34.48%	20.44%	100%
Avg. Distrib. Amt.	\$7,757	\$13,724	\$18,985	\$30,256	\$50,052	\$75,465	\$31,885

CWF Note. The IRS for 2018 on the Form 1040 had one line (line 4) where the taxpayer reported his or her distributions from IRAs and pension plans. Prior to 2018 the IRS had always had separate lines reporting the two types of distributions. In 2019 the IRS returned to having two separate lines (lines 4a and 4c) on the Form 1040. However, for purposes of the preliminary data report the IRS reports the combined amounts on one line.

Observations

1. 35.01 million returns reported a taxable IRA or pension distribution.
2. There were taxable pension distributions of 1.1 trillion.
3. The average distribution was \$31,885.
4. As one would expect, the average distribution was larger for those with higher incomes.
5. 82.32% of the taxable distributions (\$919 billion) arose from those returns showing AGI of \$50,000 or more.

The IRS has recently issued the above discussed preliminary tax data for tax year 2019. These statistics are preliminary statistics in the sense they were devised by an IRS economist using a sample of tax returns to make estimates. The number of filed returns increased from 153.8 million to 159.8 million. Taxable income increased to \$8.95 trillion from \$9.35 trillion. An increase of 4.5%.

We at CWF strongly believe individuals with higher incomes should be making more non-deductible contributions so one day they may convert them into their Roth IRA. More people are going to want to maximize their Roth IRA contributions.

Preliminary HSA Tax Data for 2019

The IRS has estimated that there were 2,041,815 tax returns filed showing contributions to HSAs and who claimed tax deductions totalling 4.1 billion dollars for 2019. This means the average contribution per tax return was \$2823.

Since this data comes from the 1040 tax returns it does not indicate any data for contributions made by corporate employers or deductions by corporations for the HSA contributions made by an employee under a cafeteria plan.

For 2019, the maximum HSA contribution was \$3,500 for self-only coverage and \$7,000 for family coverage. Individuals age 55 or older were eligible to make an additional catch-up contribution of \$,1000.

HSA Contributions for 2019 (Based on AGI)

What was the AGI of those who made HSA contributions?

	Under \$15,000	\$15,001 to \$29,999	\$30,000 to \$49,999	\$50,000 to \$99,999	\$100,000 to \$199,999	\$200,000 Or more	Total
Number of Returns	39,826	114,858	297,929	570,729	558,250	460,223	2,041,815
% of Total Returns	1.95%	5.62%	14.60%	27.95%	27.34%	22.54%	100%
Deduction Amt. (in thousands)	\$88,098	\$211,367	\$495,730	\$1,256,246	\$1,624,546	\$2,088,011	\$5,763,998
% of Total Deduct.	1.53%	3.67%	8.6%	21.79%	28.18%	36.23%	100%
Avg. Deduct. Amt.	\$2,212	\$1,840	\$1,664	\$2,201	\$2,910	\$4,537	\$2,823

Observations

CWF Observations

1. The average return showed a contribution of \$2,823.
2. For 2018 the number of returns was 1,967,578. For 2018 the total contributions were \$5,608,697.
3. 86.20% of the contributions came from individuals with \$50,000 or more of AGI.
4. The largest average contribution was from the \$200,000 and over group and it was \$4,537 per return. The next largest average contribution was \$2,628 and it came from the \$100,000 to \$199,99 group.
5. The total amount contributed and the average contribution did increase for each income range going from lower to higher. Those earning \$100,000 and above contributed 49.88% of the contributions.