

## 2022 Contribution Limits

*Is it time to contribute more?*

Provided by Ron Richards

Preparing for retirement just got a little more financial wiggle room. This week, the Internal Revenue Service (IRS) announced new contribution limits for 2022.

Staying put for 2022 are traditional Individual Retirement Accounts (IRAs), with the limit remaining at \$6,000. The catch-up contribution for traditional IRAs remains \$1,000 as well.<sup>1</sup>

For workplace retirement accounts (i.e. 401(k), 403(b), amongst others), the contribution limit rises \$1,000 to \$20,500. Catch-up contributions remain at \$6,500.<sup>1</sup>

Eligibility for Roth IRA contributions has increased, as well. These have bumped up to \$129,000 to \$144,000 for single filers and heads of households, and \$204,000 to \$214,000 for those filing jointly as married couples.<sup>1</sup>

Another increase was for SIMPLE IRA Plans (SIMPLE is an acronym for Savings Incentive Match Plan for Employees), which increases from \$13,500 to \$14,000.<sup>1</sup>

If these increases apply to your retirement strategy, a financial professional may be able to help make some adjustments to your contributions.

Ron D. Richards may be reached at 208.855.0304 or [ron@cir1daho.com](mailto:ron@cir1daho.com)

Once you reach age 72, you must begin taking required minimum distributions from a Traditional Individual Retirement Account (IRA) or Savings Incentive Match Plan for Employees IRA in most circumstances. Withdrawals from Traditional IRAs are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

Once you reach age 72, you must begin taking required minimum distributions from your 401(k), 403(b), or other defined-contribution plans in most circumstances. Withdrawals from your 401(k) or other defined-contribution plans are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

To qualify for the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawal can also be taken under certain other circumstances, such as the owner's death. The original Roth IRA owner is not required to take minimum annual withdrawals.

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#### **Citations**

1. CNBC.com, November 5, 2021