

## Knowledge is Power

### March 2021 Question Of The Month

*“Hi, Brian. My husband retired in 2019, and I retired in March of last year after making about \$20,000. We have some IRA accounts, a good amount of money in our savings account (which we used last year for income), and a taxable brokerage account. Can we or should we contribute to our retirement plans for last year, and if so, how will that affect our tax return? Thank you.”*  
Sherry

Hi, Sherry. Since you had earned income last year, and that income was below the phase-out limits, you are eligible to contribute to either a tax-deductible traditional IRA or a Roth IRA for last year, up until the tax filing deadline for this year. You can contribute up to \$7,000, and your spouse can contribute up to \$7,000 as well if you both are age 50 or older. Since your taxable earnings were low last year, I would recommend you choose the Roth IRA because you don't need a tax deduction for last year. By doing the Roth, you can move \$14,000 out of your taxable accounts (savings or brokerage accounts) into a tax-free Roth account.

Now, if you choose to do this, you may be surprised to know that Roth IRA contributions are not reported on your tax return. Roth conversions are reported on your tax return but Roth contributions are not. Thus, they will not affect the bottom line on your tax return. However, your IRA custodian is required to report these contributions to the IRS on Form 5498, which is how your Roth contributions are tracked. You will get a copy of this form sometime in the summer, usually in June.

It is very important for you to retain proper records for yourself in case there are ever any discrepancies between you and your custodian. This is very important, especially when you start taking Roth distributions. Again, in case you did not realize, Roth IRA contributions are always available to you both tax and penalty free. Your Roth interest earnings are subject to distribution rules but your Roth contributions (your basis) are not.

Join me this weekend on The Retirement Money Matters Show as we answer many more questions that have been submitted by our listeners. The show airs on Saturday afternoon at 4 on WFRN (93.7 FM), Sunday morning at 8 on WWKI (100.5 FM), or online at [www.theretirementmoneymattersshow.com](http://www.theretirementmoneymattersshow.com). You can also obtain this information by reaching out to us at Hayes Advisory Group at 452-PLAN (7526), 800-939-1603 or [brian@hayesadvisorygroup.com](mailto:brian@hayesadvisorygroup.com).