Save money now when you save money for later.

By using a Traditional IRA to save for your future, you may be able to save money today if

- you are eligible to deduct Traditional IRA contributions on your federal income tax return, or
- you qualify for a tax credit of up to $1,000.

But first you must be eligible to contribute to a Traditional IRA.

- You (or your spouse if filing a joint tax return) must earn compensation from employment.
- Starting with the 2020 tax year, you may make a contribution at any age.

Consider talking with a competent tax advisor to determine whether you're eligible for a deduction or tax credit on your Traditional IRA contributions.

For More Information

We'd be happy to answer your Traditional IRA questions.

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Traditional IRAs

Save for your retirement with a Traditional IRA.

A Traditional IRA allows you to save on your own for retirement with tax-deferred earnings and a possible tax deduction.

A Traditional IRA can help you save for the future. But first, you may have some questions.

Q. What is a Traditional IRA?

A. A Traditional IRA is an individual retirement arrangement that allows you to save for retirement with tax-deferred earnings and the possibility of tax-deductible contributions. Around since 1975, it came to be known as a "Traditional" IRA decades later to distinguish it from the Roth IRA, which offers different tax incentives.

Q. How much can I contribute?

A. If you are eligible, you can contribute 100 percent of your annual compensation up to $6,000 for 2021 and for 2022 (plus $1,000 if, within the tax year, you will be age 50 or older). The contribution limit is subject to annual cost-of-living adjustments (COLAs).

Q. What is the annual deadline to contribute?

A. You can contribute to your IRA until the due date for filing your federal income tax return for the year (generally April 15).

Q. Can I deduct my Traditional IRA contributions?

A. Unless you (or your spouse) actively participate in an employer-sponsored retirement plan, you can deduct your Traditional IRA contributions. If you (or your spouse) are an active plan participant, you still may be able to deduct all or part of your contributions, depending on your modified adjusted gross income (MAGI).

MAGI Limits* for Active Participation

IRA owner	Year	Full deduction	Partial deduction	No deduction
Single, active participant	2021	$66,000 or less	$66,000–$76,000	$76,000 or more
	2022	$68,000 or less	$68,000–$78,000	$78,000 or more
Married, active participant, filing joint tax return	2021	$105,000 or less	$105,000–$125,000	$125,000 or more
	2022	$109,000 or less	$109,000–$129,000	$129,000 or more
Nonactive participant married to active participant, filing joint tax return	2021	$198,000 or less	$198,000–$208,000	$208,000 or more
	2022	$204,000 or less	$204,000–$214,000	$214,000 or more

*Subject to COLAs

Keep in mind that if you cannot deduct your contribution, you can make nondeductible contributions or possibly contribute to a Roth IRA.

Q. Can I contribute to both a Traditional IRA and Roth IRA?

A. Yes. But the total amount of contributions that you make to both types of IRAs for the same year cannot exceed your annual contribution limit.

Q. Can I contribute to a Traditional IRA if I participate in another retirement plan?

A. Yes. Your participation in an employer-sponsored retirement plan will not affect your ability to contribute to a Traditional IRA, nor will making Traditional IRA contributions affect what you can contribute to your employer plan. But, depending on your income level, if you or your spouse do participate (receive contributions) in a retirement plan, you may lose the ability to deduct your Traditional IRA contributions.

Q. Can I roll over other retirement plan assets to my Traditional IRA, or roll over my Traditional IRA to another retirement plan?

A. Yes, eligible assets from most employer-sponsored retirement plans, such as your 401(k) plan, can be rolled over to your Traditional IRA. Check with your plan administrator. And, if the plan allows for it, you may roll over the pretax portion of your Traditional IRA to most employer-sponsored retirement plans.

Traditional IRA assets also can be rolled over to SIMPLE IRAs after the SIMPLE IRA two-year waiting period. You also may move Traditional IRA assets to a Roth IRA through a conversion, which generally is a taxable transaction; any deductible (pretax) assets that are converted must be included with your taxable income on your federal income tax return for the year that the conversion takes place.

Q. When can I withdraw money from my Traditional IRA?

A. While you'll get the most out of a Traditional IRA at retirement, you can withdraw the money anytime, subject to income tax. An IRS penalty tax also may apply unless you are age 59½ or older. Once you reach age 72 (or age 70½ in 2019 or earlier) you must start withdrawing at least a certain minimum amount each year to avoid penalty taxes.

Q. What is the IRS penalty tax if I withdraw money from my Traditional IRA before age 59½?

A. In general, you will pay a 10 percent penalty tax on any taxable amounts you withdraw before age 59½ unless you qualify for a penalty tax exception (death, disability, first-time homebuyer expenses, qualified higher education expenses, certain unreimbursed medical expenses, birth of a child or adoption expenses, substantially equal periodic payments, health insurance premiums during unemployment, IRS levy, qualified reservist distributions.

Q. When will I have to pay tax?

A. When you withdraw money from your Traditional IRA, you must include any previously deductible amounts, along with any earnings, in your taxable income for the year. Note that if you previously made any nondeductible contributions or rolled over nondeductible amounts from a retirement plan to your IRA, a portion of each Traditional IRA distribution will be treated as the nontaxable return of these dollars.

Q. What happens to my Traditional IRA after I die?

A. You may designate beneficiaries to receive your IRA assets after your death. Any tax-deferred money in your Traditional IRA at the time of your death will be taxed as it is distributed to your beneficiaries.

All beneficiaries may take a lump-sum payment. They may also be able to take payments over a certain number of years. In addition, a spouse beneficiary may treat your Traditional IRA as his or her own.