

Investor Pro-tip

Maximize Retirement Contributions

Want to reduce taxable income?

Reading time: 3 min

Investing for the future can help you save on today's tax bill.

Year-End Contributions

Problem: *We'll make just enough income this year to stay out of a lower tax bracket. Is there anything we can do to avoid being in the higher bracket?*

Solution: Yes. One idea involves you and/or your spouse (if filling jointly) making additional contributions into your pre-tax retirement accounts, like your Traditional IRA, 401(k), or Thrift Savings Plan (TSP), for example.

How it works

- 1) If you have yet to contribute the maximum amount this year to your pre-tax retirement accounts, you can make additional contributions before the end of 2022 to potentially lower your taxable income.
- 2) If you anticipate being on the edge of a lower/higher tax bracket, the additional contributions could keep you in the lower bracket, not only saving you come tax time but also helping you to build more wealth towards retirement.
- 3) Knowing how close you are from one tax bracket to the next is a great question for your tax professional. You can also ask your financial advisor to help you review your accounts or setup an IRA, if you don't already have one.

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Source (1) <https://russellinvestments.com/us/blog/capital-gains-distributions-season>

2022 contributions maximums

- **IRA-Traditional:** \$6000 (or \$7000 if over age 50) total for Roth and Traditional
 - IRA tax deduction may be limited based on income, covered plan, etc.
- **401(k) Plan (Traditional) and TSP:** employee deferral maximum \$20,500 and \$6,500 for catch-up, age 50 and older.
- **Self-employed 401(k):** employee deferral maximum \$20,500 and \$6,500, with up to 25% of earned compensation as non-elective, employer match.
 - Cannot exceed maximum \$61,000 (not including catch-up)

Final Thought

If you haven't already contributed the maximum amount this year to your retirement accounts this may be a good strategy to help you lower your taxable income. Your individual financial objectives and retirement goals may be a good fit with this strategy or another. To find out what may work best for you - [give us a call](#).

Have a question?

Feel free to give us a call or send us a message. We'd love to hear from you.

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