

2020 IRA Deadlines Are Approaching

Here is what you need to know.

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Financially, many of us associate April with taxes – but we should also associate April with important IRA deadlines.

April 15, 2021 is the deadline to take your Required Minimum Distribution (RMD) from certain individual retirement accounts.

Keep in mind that withdrawals from traditional, SIMPLE, and SEP-IRAs 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 from a Roth IRA, your Roth IRA distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawals 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.

April 15, 2021 is the deadline for making annual contributions to a traditional IRA, Roth IRA, and certain other retirement accounts.¹

Some people may not realize when they can make their IRA contribution. You can make a yearly IRA contribution between January 1 of the current year and April 15 of the next year. Accordingly, you can make your IRA contribution for 2020 any time from January 1, 2020 to April 15, 2021.²

Thanks to the SECURE Act, both traditional and Roth IRA owners have the chance to contribute to their IRAs past age 72 as long as they have taxable compensation (and in the case of Roth IRAs, MAGI below a certain level; see below).²

If you are making a 2020 IRA contribution in early 2021, you must tell the investment company hosting the IRA account for which year you are contributing. If you fail to indicate the tax year that the contribution applies to, the custodian firm may make a default assumption that the contribution is for the current year (and note exactly that to the I.R.S.).

So, write "2021 IRA contribution" or "2020 IRA contribution," as applicable, in the memo area of your check, plainly and simply. Be sure to write your account number on the check. If you make your contribution electronically, double-check that these details are communicated.

Raymond Dahlman may be reached at 281-724-8181, 8310 South Valley Hwy, Suite 300, Englewood, CO 80112 or r.dahlman@dsafinancialgroup.com.

www.dsafinancialgroup.com

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Citations.

1. irs.gov, November 23, 2020
2. irs.gov, November 10, 2020