Motley Fool

Your 2019 Guide to Maxing Out Your Retirement Savings

Dan Caplinger

December 21, 2018

Tax-favored accounts like IRAs, 401(k)s, and similar plans are essential for those who want to become ultimate retirement savers. To truly max out all of your retirement saving opportunities, it takes more money than you might think -- but those who have the financial resources to make it work can build up their savings quickly. And at the same time, turbocharged retirement saving can also dramatically lower your taxes.

The IRS just announced the 2019 contribution limits on popular retirement savings vehicles, and just about all of them will go up compared to 2018 levels. Below, you'll get your guide to using these accounts to their fullest, along with other helpful information you should know in order to make the most of your retirement savings.

A nice boost to IRA contributions

Everyone has access to IRAs, and the federal government is letting people save $500 more in IRAs during 2019. The IRA contribution limit is set to go up to $6,000 for those who are younger than 50 and $7,000 for those 50 or older, up from $5,500 and $6,500, respectively, in 2018.

There are two types of IRAs, but those whose incomes are too high can get locked out of one of those options. Roth IRA contributions phase out entirely if your income climbs above set limits. For 2018, the amount that can be contributed gradually declines to zero from modified AGIs of $120,000 to $135,000 (single) and $189,000 to $199,000 (married). For 2019, the limits increase by $2,000 for singles and $4,000 for married.

In addition, even though there's never any limit on the *ability* to make a traditional IRA contribution, you won't necessarily be able to *deduct* the amount of your contribution. If your income is too high, and you or a spouse has access to a retirement plan at work, then deductions can be reduced or eliminated.

Specifically, if you are eligible to participate in an employer's retirement plan, your ability to take the traditional IRA deduction is limited based on your income.

2019 Tax Filing Status	Income Limit for a Full Traditional IRA Deduction	Deduction Phases Out Entirely for Income Above
Single	$64,000	$74,000
Married filing jointly	$103,000	$123,000
Married filing separately	$0	$10,000

DATA SOURCE: IRS.

Here's how this works. If your adjusted gross income (AGI) is less than the full deduction limit, you can deduct 100% of your traditional IRA contributions, up to the annual limit. If your income falls between the two limits for your filing status, you can claim a partial deduction. And, if your income is greater than the phase-out limit, you can't deduct any traditional IRA contributions for 2019.

If you aren't eligible to participate in an employer's plan, your ability to contribute to an IRA is only restricted if your spouse has a retirement plan at work. In this case, the limit for a full deduction is $193,000, and the phase-out limit is $203,000.

Even with those caveats, getting to save more in an IRA is good news for those looking for ultimate flexibility in their retirement investing.

401(k)s let you save more, too

Those who work for employers that offer 401(k) plans will also enjoy higher contribution limits in 2019. Those younger than 50 will be able to contribute $19,000, while those 50 or older will be able to put $25,000 into a 401(k) or similar plan. Those figures are both $500 higher than they were for 2018.

The same figures apply to 403(b) and 457 plans that are offered by different types of employers, but some employer-sponsored retirement arrangements have different limits. For instance, SIMPLE IRAs have a $13,000 contribution limit in 2019 for those younger than 50 -- up $500 from 2018 levels -- with an extra $3,000 available for those 50 or older. Many taxpayers will find that they can make contributions both to an employer retirement plan and a personal IRA, doubling up on tax savings.

A big boost for self-employed workers

The limits above on 401(k)s apply to employee contributions. But those who are considered to be employers have much higher limits, and for those who are self-employed, using a solo 401(k) or similar arrangement opens the door to much larger contributions.

In 2019, the total limits on employer and employee contributions will rise by $1,000 from 2018 levels. That means those younger than 50 will be able to set aside a total of $56,000 in 2019, while those 50 or older get to save $62,000. However, most such arrangements put additional limits in place based on a percentage of your compensation, so self-employed business owners will typically need to make somewhere between $225,000 and $300,000 in order to take full advantage of the contribution limit.

Save for retirement healthcare expenses

Finally, many people recommend using health savings accounts to save for retirement. These accounts allow for both tax-deductible contributions *and* tax-free withdrawals for use in paying qualified medical expenses, a valuable double benefit that's hard to match anywhere else.

For those who are eligible for health savings accounts, 2019 limits will be $3,500 for those with single coverage and $7,000 for family coverage, up $50 and $100, respectively, from their most recent 2018 limits. Those who are 55 or older get to set aside an extra $1,000.

A big boost to your retirement savings

When you add all these limits up, finding anywhere from $65,500 to $76,000 in order to max out your retirement savings is a clear challenge for most people. If you're in a good enough financial position to take full advantage of these opportunities, though, then maxing out your retirement savings could make a huge difference to your long-term financial security.