

Motley Fool's *Rule Your Retirement* Newsletter

Roth IRA Contribution Limits in 2018 -- and How to Work Around Them

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Few investments let you enjoy tax-free growth, but [Roth IRAs are one of the most popular](#) as well as being easy to use. You don't get an upfront tax deduction on the money you put into a Roth, but in exchange, you'll never have to pay tax on that money if you meet certain legal requirements. Roth IRA contribution limits remain \$5,500 in 2018, the same as they were in 2017, and those who are 50 or older can contribute an additional \$1,000 to make their total \$6,500. Not everyone is allowed to make the full contribution amount, and depending on what your income is, you could be locked out of Roth IRA contributions entirely. However, there's another way you can get money into a Roth IRA. Below, you'll learn more about the Roth IRA contribution limits and some things you can consider to work around them.

How Much Can I Make and Still contribute to a Roth IRA in 2018?

Roth IRA contributions are tied to certain income thresholds. Under current law, there are two threshold amounts: one above which you can make only partial contributions to a Roth, and a higher one above which no contributions are allowed at all.

The thresholds are based on modified adjusted gross income. To figure that amount, start with all of your income, and then reduce the total by the amount of allowed deductions that you'll find on the front page of the 1040 tax form. This includes things like moving expenses, educator expenses, early withdrawal penalties for CDs at banks, and health savings account deductions. You'll also get to subtract any income you had to include due to having done a [Roth conversion during the year](#).

Then, take the resulting figure and use the following chart to see where you stand:

For this filing status	Contributions are reduced if income is above this amount	Contributions are not available if income exceeds this amount
Single, head of household, or married filing separately IF you didn't live with your spouse during the year	\$120,000	\$135,000
Married filing jointly or qualifying widow or widower	\$189,000	\$199,000
Married filing separately IF you lived with your spouse at any point during the year	\$0	\$10,000

DATA SOURCE: IRS

If My Income Is Between the Two Thresholds, How Do I Calculate My Reduced Roth Contribution Limit?

You can almost always find a worksheet for tax issues, and the IRS offers one to help figure out how much you can contribute to your Roth if you fall in the reduced-contribution range. It's easier simply to understand how the IRS comes up with the number.

As you can see in the chart, the amount of money between the lower and upper thresholds is \$15,000 for those taxpayers whom the IRS treats as unmarried, and \$10,000 for those it treats as married. To calculate your contribution, do the following:

- Take the upper threshold amount in the table above and subtract your modified adjusted gross income from it.
- If you're under 50, multiply that number by 0.55. If you're 50 or older, multiply it by 0.65.
- Then, if you're unmarried, divide the answer by 1.5. Otherwise, keep it unchanged.

The result should be the amount that you're allowed to contribute.

An example can simplify this. Say that you're married, 55, and have joint modified adjusted gross income of \$193,000. Looking at the chart above, take the \$199,000 upper threshold and subtract \$193,000 from it. That gives you \$6,000. Since you're 50 or older, multiply \$6,000 by 0.65 to get \$3,900. That's your allowed contribution amount.

Can I Get Money Into a Roth if My Income Is Above the Limit?

There is a way to have a Roth IRA even if your income is too high. To do so, you'll need to look at a strategy called the [backdoor Roth](#). Essentially, this involves contributing money to a regular old-style IRA and then converting the same amount to a Roth IRA. Roth conversions have no income restrictions, so the net result can be the same.

There are a couple of potential problems with this strategy. Often, those with incomes above the Roth contribution limits are also ineligible to make deductible regular IRA contributions. If that's the case, you can still make a nondeductible IRA contribution, but then those who have other IRAs will face additional taxes when they convert.

Another thing to consider is whether your employer has a Roth 401(k) or other Roth-style employer-sponsored retirement account. Not every plan has a Roth option, but Roths have become more popular in recent years.

Roth IRA income limits can be an annoyance to have to deal with. Yet with some careful planning, you can take steps to get money into a Roth and enjoy the tax-free savings that these retirement investment vehicles offer.