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There's Still Time for <u>*2009*</u> IRA & Roth IRA Contributions

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Contributions can still be made to your IRA or Roth IRA until the tax filing deadline which is April 15, 2010. But take note: this date cannot be extended even if you file an extension for your tax return. If you are younger than 50 years old, the limit for 2009 is $5,000. For those of you 50 years and older, your limit is $5000 plus a $1000 catch-up for a total of $6000. The catch-up contribution of $1000 is added as an incentive to you to save more for your retirement.

These limits assume you make at least $5,000 in earned income per year. If you earned less than this, your limit will be the amount of your earned income. These limits also assume that you are not contributing to a company retirement plan. If you are contributing to a company retirement plan and file a single tax return, you cannot contribute to an IRA if your modified adjusted gross income is greater than $66,000. If it is *less* than $56,000 you can still contribute the IRA maximum. If it's between these amounts, you can still contribute, but at reduced limits. (Roth IRA phase-out limits are $105,000 to $120,000).

If you are married and file a joint return, but your spouse is covered by a company plan, then the phase-out limits are $89,000 to $109,000 for an IRA and $167,000 to $177,000 for a Roth IRA. If you are married and file separate returns, then the phase-out range drops down to $0 to $10,000 for both the IRA and the Roth IRA.

Spouses with no taxable compensation can also contribute to an IRA. The maximum limit can be contributed if the compensation by the income-producing spouse is greater than $5,000, less the contribution made to his or her IRA. For example, if Sarah (29 years old) is a stay-at-home mom and John (32 years old) earns $35,000 per year and contributes $5,000 to his IRA, Sarah can also contribute $5,000 to her IRA. If John only made $8,000 per year, but still contributed $5,000 to his IRA, then Sarah's limit is reduced to $3,000 ($8,000 less $5,000).

An occasionally asked question is: can I deduct my 2009 IRA losses on my tax return? The answer is normally no. Since you did not pay taxes when you contributed into your IRA, no deductions are allowed. But there are exceptions. Each individual should consult their own tax advisor, but according to Ed Slott, an IRA expert, deducting IRA losses must pass six tests:

1. There must be basis. The IRA must contain non-deductible IRA contributions or after-tax funds from a company plan. (All funds contributed or converted to Roth IRAs are basis.)
2. Funds from all IRAs must be withdrawn
3. The amount of the basis must exceed the amount withdrawn
4. You must itemize deductions. The loss is claimed as a miscellaneous itemized deduction.
5. When the loss is claimed as an itemized deduction, the total of all miscellaneous itemized deductions must exceed 2% of adjusted gross income.
6. The loss must not be subject to alternative minimum tax.