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2015 Retirement Account Changes

Retirement savers will have a new retirement account option in 2015. Investors will also be eligible to contribute $500 more to a 401(k) next year. Here's a look at how retirement accounts will change in 2015.

Introducing myRA. The Treasury will offer a new type of retirement account, the my RA, beginning in late 2014 that is guaranteed by the government to never lose value. Deposits will be made via payroll deduction, and accounts can be opened with an initial deposit of as little as $25 and then direct deposits of $5 or more each payday. But these accounts are not tied to your job and are portable if you change jobs. Savers with an annual income of less than $129,000 for individuals and

$191,000 for couples will be eligible to participate. These new accounts "target low- and middle-income Americans who don't currently have access to an employer-sponsored plan," says Mikio Thomas, a senior tax analyst for the Internal Revenue Service.

The myRA is a Roth account, which means contributions can be withdrawn tax-free at any time, and earnings can be distributed without triggering an additional tax once the account is five years old and the account owner is at least age 59 1/2. However, myRAs differ from Roth IRAs in that myRAs will hold a new retirement savings bond backed by the U.S. Treasury that is guaranteed not to lose value, and there are no fees. Savers can use the accounts for up to 30 years or until their balance grows to $15,000, at which point the balance will transfer to a private-sector retirement account.

IRA contribution limits unchanged. The IRA contribution limit will remain $5,500 in 2015. Investors age 50 and older can contribute an additional $1,000 to an IRA, an amount that is not eligible for an annual cost-of-living adjustment.

Bigger IRA Income limits. The tax deduction for making a traditional IRA contribution is phased out for investors who have a workplace retirement plan and a modified adjusted gross income between $61,000 and $71,000 for individuals and $98,000 to $118,000 for couples in 2015, up $1,000 and $2,000 respectively, from 2014. For individuals who don't have a workplace retirement plan but are married to someone who does, the tax deduction for an IRA contribution is phased out if the couple's income is between $183,000 and $193,000 in 2015.

Increased Roth IRA income cutoffs. The income limits for contributing to a Roth IRA will increase by $2,000 in 2015 to between $116,000 and $131,000 for individuals and $183,000 to $193,000 for married couples.

Larger saver's credit threshold. Low- and moderate- income workers who contribute to a 401(k) or IRA are eligible for the saver's credit, a tax credit that can be worth as much as $1,000 for individuals and $2,000 for couples. Workers are eligible for the saver's credit until their AGI reaches $30,500 for singles, $45,750 for heads of household and $61,000 for married couples in 2015. These limits are between $500 and $1,000 higher than in 2014.

IRA one rollover rules. Beginning on Jan. 1, 2015, investors can make only one rollover from one IRA to another in any 12-month period. A second IRA-to-IRA rollover in a single year could result in income tax becoming due on the rollover, a 10 percent early withdrawal penalty and a 6 percent per year excess contributions tax as long as that rollover remains in the IRA. "Individuals can only make one IRA rollover during any one-year period, but there is no limit on trustee-to-trustee transfers." Thomas says. Multiple trustee-to-trustee transfers between IRAs and conversions from traditional IRAs to Roth IRAs will continue to be allowed in the same year.

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