

Financial Issues

SPRING 2018

CEFCU® Investment Services and Wealth Management

Retirement Plan Contribution Limits Rise In 2018

Good news for the new year!

Plan to put a little more into your workplace retirement account this year. For 2018, the federal government boosted the annual contribution limits on many common, qualified retirement plans.

New limits to common retirement plans

This is the first increase in three years, allowing you to direct up to \$18,500 into a 401(k) plan, or \$24,500, if you are age 50 or older.¹ In addition to 401(k)s, the new contribution limits also apply to three other types of retirement plans:

- ◆ 403(b) plans at schools and non-profit organizations;
- ◆ Thrift Savings Plans for federal employees;
- ◆ and most 457 plans sponsored by state and local governments.¹

Impact on defined contribution plans

A defined contribution plan is a retirement plan to which both an employer and employee can contribute. If your company has such a plan, the annual limitation on total employer-employee contributions improved by \$1,000 in 2018 to \$55,000.¹



Increased contribution limits for Health Savings Accounts (HSA)

For those enrolled in a High-Deductible Health Plan (HDHP) with an HSA, yearly contribution limits for individual plans rose by \$50 to \$3,450, and family plans rose by \$150 to \$6,900. The catch-up limits for people 55 and older also increased to \$4,450 and \$7,900.²

Increased phase-out ranges for IRAs & workplace plans

The annual IRA contribution limits are unchanged for 2018 (\$5,500 for those under 50, and \$6,500 for those 50 and older), but the adjusted gross income

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Retirement Plan Contribution Limits Rise In 2018, continued

limitations have been adjusted for inflation.¹ Also, if you want to contribute to an IRA and do not contribute to a workplace retirement plan (but your spouse does), your phase-out range is \$3,000 higher: \$189,000–\$199,000.¹

Phase-out increases have also been implemented for employer-sponsored retirement plans. Here's a snapshot of how the changes will affect tax filing statuses:

Employer-Sponsored Retirement Plans		
Tax Filing Status	New Phase-Out Range	Increase
Single	\$ 63,000–\$73,000	\$1,000
Joint	\$ 101,000–\$121,000	\$2,000

Maximize tax changes

To discuss how to maximize the potential tax savings you may be receiving, consider talking with a Representative from CEFCU® Investment Services. Representatives can meet with you at most Member Centers or by phone. To schedule a no-cost, no-obligation consultation, call 309.633.2571 or 1.800.356.7865, ext. 32571 today, or go to cefcu.com/invest.

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Citations.

- 1 - benefitnews.com/news/irs-announces-2018-retirement-plan-contribution-limits/ [10/20/17]
- 2 - cbsnews.com/news/irs-allows-higher-retirement-savings-account-limits-in-2018/ [10/24/17]

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Congress Passed the Tax Cuts & Jobs Act

What does that mean to you?

On December 20, 2017, Congress passed the Tax Cuts & Jobs Act. The legislation impacted the Internal Revenue Code, including changes to income tax brackets, marginal tax rates, key deductions and exemptions, and the taxation of corporations and pass-through businesses.¹

How individuals & families may benefit from the tax reforms

The financial website, Business Insider, ran some numbers to see how taxpayers in different income brackets would fare in the wake of the reforms. Here's what Business Insider projected for 2018 federal income tax savings:^{2,3}

Projected Tax Savings		
	Income	Projected Tax Savings
Single, childless taxpayers	\$ 25,000	\$ 369
	\$ 75,000	\$ 2,129
	\$175,000	\$ 5,240
Families of four with children (no older than 16)	\$ 25,000	\$ 100
	\$ 75,000	\$ 2,244
	\$175,000	\$ 3,095

Note: The calculations assumed these taxpayers would use the standard deduction for their 2018 taxes rather than itemize.

Retirees poised for significant tax savings

The non-partisan Tax Policy Center (TPC) projects an average tax savings of \$1,000 for older Americans when they file their 2018 federal taxes. For example, seniors earning between \$33,000–\$56,000, the TPC forecasts a federal tax cut of around \$300 (roughly 9%).⁴

We can help

If you'd like to discuss new opportunities for savings and identify your tax planning priorities, contact Kevin Barbier, Trust and Investment Management Officer and CERTIFIED FINANCIAL PLANNER™ professional.

Kevin is part of the CEFCU Wealth Management team and can provide sound, unbiased investment planning and management that follows the same standards that guide your Credit Union — looking out for your best interests. To schedule an appointment, please call 309.633.3836 or 1.800.356.7865, ext. 33836.



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Citations.

- 1 – [cbsnews.com/news/second-house-vote-new-tax-bill-2017-12-20-live-updates/](https://www.cbsnews.com/news/second-house-vote-new-tax-bill-2017-12-20-live-updates/) [12/20/17]
- 2 – [businessinsider.com/trump-tax-plan-take-home-pay-2017-9](https://www.businessinsider.com/trump-tax-plan-take-home-pay-2017-9) [12/2/17]
- 3 – [businessinsider.com/senate-tax-plan-affects-family-take-home-pay-2017-11](https://www.businessinsider.com/senate-tax-plan-affects-family-take-home-pay-2017-11) [12/2/17]
- 4 – [forbes.com/sites/howardgleckman/2017/12/15/what-the-gop-tax-cut-will-mean-for-older-adults/](https://www.forbes.com/sites/howardgleckman/2017/12/15/what-the-gop-tax-cut-will-mean-for-older-adults/) [12/15/17]



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