Where else can I save for retirement after I max out my Roth IRA?


Arden Rodgers, CFA

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A: Congratulations on saving for retirement! In 2016, you can contribute a maximum of $5,500 (or $6,500 if you are 50 or older) to a Roth IRA.
Aside from a Roth IRA, there are a number of different retirement plans and tax-deferred savings vehicles for which you may be eligible.

The first option to explore is to determine if you can contribute to a 401(k), 403(b), or 457 plan at work. If your employer offers one of these plans, you can contribute up to $18,000 (or $24,000 if you are 50 or older). Many employers offer a contribution match, which is one of the best retirement investment features available.

If you have self-employment income or have your own small business, there are alternative retirement plans available to you. A SIMPLE IRA allows you to save up to $12,500 ($15,500 if you are 50 or older) in pretax dollars, and no tax is owed until you make withdrawals. Depending upon your income, you may be able to set up your own 401(k), also known as a solo or independent 401(k), or a SEP IRA. For 2016, you can then defer up to $53,000 in either of them.

Beyond defined contribution plans, depending on your age and income, it might be worthwhile to set up a defined benefit plan. These are complicated retirement plans that require significant paperwork, administration and fees. But if you earn a large amount of self-employment income and are nearing retirement, you could defer up to $210,000 per year.

As you know, a Roth IRA contribution is made with after-tax money, which means that you don’t receive a tax deduction for your contributions. But you won’t owe any taxes in the future. Other IRAs and defined-benefit plans are tax deferred, meaning you get a tax deduction at the time of making the contribution, but you will owe taxes later.

If you have exhausted all the normal tax-deferred and tax-exempt retirement accounts and are in a high tax bracket, you might want to look into annuities, which are insurance products that confer tax benefits. Annuities have a justly deserved bad reputation for high fees and poor investments options. But there are a newer class of annuities, sometimes called “investment-only” annuities, that are lower in cost. These annuities are created for tax-deferral purposes, not for insurance benefits. When you purchase them, be sure to avoid any guarantees, protections or life insurance riders. Your after-tax contributions will grow tax deferred, and there is no limit on the amount of after-tax money you can contribute. Unlike a Roth IRA, you will owe taxes on the gains at withdrawal, but you won’t owe tax on the principal.

So you have many options to choose from after you have contributed the maximum to your Roth IRA. However, your ultimate contributions may be limited by the amount and type of income you have earned and by other accounts you have contributed to, so you should check with a tax professional.

http://www.investopedia.com/ask/answers/102714/where-else-can-i-save-retirement-after-i-max-out-my-roth-ira.asp?partner=YahooSA