INSIGHT

Data on Contributions to Individual Retirement Accounts (IRAs)

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Individuals can save for retirement in two types of tax-advantaged accounts: defined contribution (DC) and individual retirement accounts (IRAs). DC plans are employer-sponsored retirement plans in which contributions from a worker, the employer, or both are placed in an individual account. Individuals with wage income can also contribute to IRAs, which are privately held retirement savings accounts. Contributions—and any investment earnings—in DC accounts and IRAs can be used as a source of income in retirement. Both DC accounts and IRAs may accept *rollovers*. Rollovers—transfers of funds from one retirement account to another—preserve the tax advantages of retirement savings. This Insight provides Internal Revenue Service (IRS) data on contributions to IRAs in 2018. Congress has an interest in contribution data because (1) the tax expenditures for retirement plans (estimated to be $23.8 billion for IRAs and $153.6 billion for DC plans in FY2020) are one of the largest categories of revenue losses attributable to provisions in the tax code, and (2) recent legislation has included provisions that would modify contribution limits for certain individuals. CRS Insight IN11721, *Data on Retirement Contributions to Defined Contribution (DC) Plans* provides similar data for DC accounts.

The tax benefits of IRAs depend on whether the account is a *traditional* or a *Roth* account. Contributions to traditional IRAs may be tax deductible in the year in which they are made based on income limits and depending on whether the account holder or spouse has a pension plan at his or her work. Investment earnings in traditional IRAs accumulate on a tax-deferred basis. Withdrawals from traditional IRAs (except for amounts attributed to non-deductible contributions) are included in taxable income when received. Contributions to Roth IRAs are not tax deductible in the year in which they are made. Investment earnings accumulate on a tax-free basis: Qualified distributions from a Roth account (those taken by an individual who has held the account for five years and made after death, on account of disability, or on or after attainment of age 59½) are not included in taxable income.

Individuals' contributions to IRAs are subject to annual contribution limits. In 2018 (the most recent year for which contribution data from the IRS is available), an individual could contribute up to the lesser of (1) his or her wage income for the year or (2) $5,500 to his or her IRA. Individuals age 50 and older could make an additional $1,000 *catch-up contribution* to their IRAs. The IRA contribution limit is adjusted annually for inflation, while the $1,000 IRA catch-up contribution is not.

Contributions to IRAs

Table 1 provides data on contributions to traditional IRAs in 2018. About 4.4 million taxpayers contributed to traditional IRAs, with an average contribution of $4,198. More than 50% of individuals who made contributions to their traditional IRAs contributed the maximum amount. Between 5% and 6% of taxpayers age 50 and older (not in **Table 1**) made catch-up contributions of less than the maximum $1,000 amount.

Table 1. Contributions to Traditional IRAs

Tax Year 2018

Age Group	Number of Contributing Taxpayers	Average Contribution	Percentage of Contributors Making the Maximum Contribution	Average Non-Maximum Contribution	Percentage of Taxpayers Age 50 and Older Making Any Catch-Up Contribution
All	4,434,230	$4,198	50.7%	$2,242	n/a
Under 35	554,856	$3,286	42.8%	$1,627	n/a
35 to under 50	1,299,688	$3,777	50.7%	$2,008	n/a
50 to under 65	2,086,543	$4,547	51.2%	$2,501	56.8%
65 to under 70½	492,134	$4,853	57.5%	$2,626	62.6%

Source: CRS analysis of Internal Revenue Service Statistics of Income, Accumulation and Distribution of Individual Retirement Arrangements (IRA), Table 5: Taxpayers with Traditional Individual Retirement Arrangement (IRA) Contributions, by Size of Contribution and Age of Taxpayer, Tax Year 2018, https://www.irs.gov/statistics/soi-tax-stats-accumulation-and-distribution-of-individual-retirement-arrangements.

Notes: In 2018 (the latest year for which data is available), there were 144.6 million taxpayers with wage income. In 2018, the IRA contribution limit for individuals was $5,500. Individuals age 50 and older could make an additional $1,000 catch-up contribution. Prior to 2020, individuals could not contribute to traditional IRAs in or after the year in which they turned 70½. Maximum contributions refer only to taxpayers who contribute the exact amount of the limit. The maximum contribution for taxpayers whose earned income falls below the contribution limit is lower and is not captured in this table. In addition, the contribution limit applies to all of an individual's IRAs, so individuals who contribute the maximum amount but split contributions between traditional and Roth IRAs are not recorded in the data as having contributed the maximum amount.

Table 2 provides data on contributions to Roth IRAs in 2018. Over 7 million taxpayers contributed to Roth IRAs, with an average contribution of $3,408. More than one-third of taxpayers who contributed to Roth IRAs in 2018 contributed the maximum amount. Between 7% and 10% of taxpayers age 50 and older (not in **Table 2**) made catch-up contributions of less than the maximum $1,000 amount.

Table 2. Contributions to Roth IRAs

Tax Year 2018

Age Group	Number of Contributing Taxpayers	Average Contribution	Percentage of Contributors Making the Maximum Contribution	Average Non-Maximum Contribution	Percentage of Taxpayers Age 50 and Older Making Any Catch-Up Contribution
All	7,118,775	$3,408	33.9%	$2,099	n/a

Under 35	2,209,024	$2,395	32.3%	$1,714	n/a
35 to under 50	2,287,494	$2,919	26.1%	$2,008	n/a
50 to under 65	2,120,774	$4,112	40.1%	$2,512	47.5%
65 and over	501,483	$4,744	50.9%	$2,927	61.2%

Source: CRS analysis of Internal Revenue Service Statistics of Income, Accumulation and Distribution of Individual Retirement Arrangements (IRA), Table 6: Taxpayers with Roth Individual Retirement Arrangement (IRA) Contributions, by Size of Contribution and Age of Taxpayer, Tax Year 2018, https://www.irs.gov/statistics/soi-tax-stats-accumulation-and-distribution-of-individual-retirement-arrangements.

Notes: In 2018 (the latest year for which data is available), there were 144.6 million taxpayers with wage income. In 2018, the IRA contribution limit for individuals was $5,500. Individuals age 50 and older could make an additional $1,000 catch-up contribution. Maximum contributions refer only to taxpayers who contribute the exact amount of the limit. The maximum contribution for taxpayers whose earned income falls below the contribution limit is lower and is not captured in this table. In addition, the contribution limit applies to all of an individual's IRAs, so individuals who contribute the maximum amount but split contributions between traditional and Roth IRAs are not recorded in the data as having contributed the maximum amount.

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