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Contributions to Individual Retirement Accounts (IRAs): Fact Sheet

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Background

Individuals can save for retirement in two types of tax-advantaged accounts: defined contribution (DC) accounts and individual retirement accounts (IRAs).¹ A DC plan is an employer-sponsored retirement plan 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.² This report provides Internal Revenue Service (IRS) data on contributions to IRAs in 2020. Congress has an interest in contribution data because tax expenditures for retirement plans (estimated to be \$25.0 billion for IRAs and \$117.8 billion for DC plans in FY2024) are one of the largest categories of revenue losses attributable to provisions in the tax code.³

The tax benefits of IRAs depend on whether the account is a *traditional* or a *Roth* account.⁴ Contributions to a traditional IRA 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.⁵ 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.⁶

Individuals' contributions to IRAs are subject to annual contribution limits. In 2020 (the most recent year for which contribution data from the IRS is available), an individual could contribute to his or her IRA up to the lesser of (1) his or her wage income for the year or (2) \$6,000.⁷ Individuals age 50 and older could make additional \$1,000 *catch-up contributions* to their IRAs. The IRA contribution limit is adjusted annually for inflation. Beginning in tax year 2024, the \$1,000 IRA catch-up contribution is adjusted for inflation.⁸

¹ For further information on DC plans, see IRS, “Definitions,” <https://www.irs.gov/retirement-plans/plan-participant-employee/definitions>. For further information on IRAs, see CRS Report RL34397, *Traditional and Roth Individual Retirement Accounts (IRAs): A Primer*.

² IRS, “Rollovers of Retirement Plan and IRA Distributions,” <https://www.irs.gov/retirement-plans/plan-participant-employee/rollovers-of-retirement-plan-and-ira-distributions>.

³ Department of the Treasury, *Tax Expenditures*, FY2024, <https://home.treasury.gov/system/files/131/Tax-Expenditures-FY2024-update.pdf>.

⁴ For further information on the differences between traditional and Roth accounts, see IRS, “Topic no. 451, Individual Retirement Arrangements (IRAs),” <https://www.irs.gov/taxtopics/tc451>.

⁵ IRS, “IRA Deduction Limits,” <https://www.irs.gov/retirement-plans/ira-deduction-limits>.

⁶ IRS, “About Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs),” <https://www.irs.gov/forms-pubs/about-publication-590-b>.

⁷ IRS, “Retirement Topics—IRA Contribution Limits,” <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits>.

⁸ IRS, “401(k) Limit Increases to \$23,000 for 2024, IRA Limit Rises to \$7,000,” November 1, 2023, <https://www.irs.gov/newsroom/401k-limit-increases-to-23000-for-2024-ira-limit-rises-to-7000>.

Contributions to IRAs

Table 1 provides data on contributions to traditional IRAs in 2020. Nearly 5 million taxpayers contributed to traditional IRAs, with an average contribution of \$4,461. About half of individuals under age 50 (51.4%) and those age 50 to under 70½ (50.7%) who made contributions to their traditional IRAs contributed the maximum amount (\$6,000 for those under 50; \$7,000 for those 50 and older in 2020).⁹ Nearly 5% of taxpayers age 50 to under 70½ made catch-up contributions of less than the maximum \$1,000 amount (not shown in **Table 1**).

Table 1. Contributions to Traditional IRAs

Tax Year 2020

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	4,961,960	\$4,461	See note.	See note.	n/a
Under 35	694,818	\$3,402	41.8%	\$1,538	n/a
35 to under 50	1,594,588	\$4,175	55.7%	\$1,885	n/a
<i>Under 50</i>	2,289,406	\$3,940	51.4%	\$1,759	n/a
50 to under 65	2,108,306	\$4,843	49.9%	\$2,693	54.3%
65 to under 70½	562,853	\$5,145	53.8%	\$2,986	60.2%
<i>50 to under 70½</i>	2,671,159	\$4,907	50.7%	\$2,751	55.6%

Source: CRS analysis of Internal Revenue Service (IRS), “SOI Tax Stats—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 2020, <https://www.irs.gov/statistics/soi-tax-stats-accumulation-and-distribution-of-individual-retirement-arrangements>.

Notes: In 2020 (the latest year for which data is available), there were 130.1 million taxpayers with wage income. In 2020, the IRA contribution limit for individuals was \$6,000. Individuals age 50 and older could make additional \$1,000 catch-up contributions. Prior to 2020, individuals could not contribute to traditional IRAs in or after the year in which they turned 70½. IRS data for tax year 2020 does not provide data on taxpayers over age 70½. *Maximum contribution* refers only to taxpayers who contribute the exact amount of the limit. The maximum contribution for taxpayers whose earned income fell below the contribution limit is lower and was not captured in this table. In addition, the contribution limit applies to all of an individual’s IRAs, so individuals who contributed the maximum amount but split contributions between traditional and Roth IRAs are not recorded in the data as having contributed the maximum amount.

Because those over 50 have a different maximum contribution than those under 50 and there is no age information available for 1,395 taxpayers who contributed to traditional IRAs, CRS cannot determine the percentage of all taxpayers making the maximum contribution or the average non-maximum contribution of all taxpayers.

Table 2 provides data on contributions to Roth IRAs in 2020. Over 9 million taxpayers contributed to Roth IRAs, with an average contribution of \$3,581. Over one-third of taxpayers under 50 (34.9%) and over 40% of taxpayers age 50 and older (41.4%) who contributed to Roth

⁹ The \$7,000 limit includes \$1,000 in catch-up contributions.

IRAs in 2020 contributed the maximum amount (\$6,000 for those under 50; \$7,000 for those 50 and older in 2020).¹⁰ Between 5% and 6% of taxpayers age 50 and older made catch-up contributions of less than the maximum \$1,000 amount (not shown in **Table 2**).

Table 2. Contributions to Roth IRAs

Tax Year 2020

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	9,210,723	\$3,581	See note.	See note.	n/a
Under 35	3,233,379	\$3,135	35.5%	\$1,556	n/a
35 to under 50	2,867,054	\$3,200	34.2%	\$1,748	n/a
<i>Under 50</i>	6,100,433	\$3,166	34.9%	\$1,647	n/a
50 to under 65	2,516,457	\$4,316	40.1%	\$2,517	45.9%
65 and older	588,816	\$4,736	46.7%	\$2,756	52.0%
<i>50 and older</i>	3,105,273	\$4,396	41.4%	\$2,558	47.0%

Source: CRS analysis of Internal Revenue Service (IRS), “SOI Tax Stats—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 2020, <https://www.irs.gov/statistics/soi-tax-stats-accumulation-and-distribution-of-individual-retirement-arrangements>.

Notes: In 2020 (the latest year for which data is available), there were 130.1 million taxpayers with wage income. In 2020, the IRA contribution limit for individuals was \$6,000. Individuals age 50 and older could make additional \$1,000 catch-up contributions. *Maximum contribution* refers only to taxpayers who contribute the exact amount of the limit. The maximum contribution for taxpayers whose earned income fell below the contribution limit is lower and was not captured in this table. In addition, the contribution limit applies to all of an individual’s IRAs, so individuals who contributed the maximum amount but split contributions between traditional and Roth IRAs are not recorded in the data as having contributed the maximum amount.

Because those over 50 have a different maximum contribution than those under 50 and there is no age information available for 5,017 taxpayers who contributed to Roth IRAs, CRS cannot determine the percentage of all taxpayers making the maximum contribution or the average non-maximum contribution of all taxpayers.

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¹⁰ The \$7,000 limit includes \$1,000 in catch-up contributions.

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