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2026 IRA Contribution Limit Guide

Information To Help You Choose The Account That's Best For You

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Annual account contribution limits are a main consideration for prospective Equity Trust clients. In fact, many clients choose accounts based on what they can contribute each year.

Equity Trust custodies a variety of self-directed accounts with varying contribution limits. These accounts include Traditional and Roth IRAs, 401(k)s, small business retirement accounts, Health Savings Accounts, and Coverdell Education Savings Accounts. In this report you'll find helpful summaries of each account available, including specifics on annual contribution limits.

If you have questions on any of the content presented, please don't hesitate to contact an Equity Trust IRA Counselor at **(855) 673-4721**.

Skip the Learning Curve

Click Here or Call (855) 673-4721 to start a conversation with an Equity Trust IRA Counselor.

Traditional and Roth IRA

The table below highlights the differences between the Roth IRA and Traditional IRA. The main differences are:

- Roth IRA contributions are never tax deductible and can be removed at any time free of income tax and the 10% premature distribution penalty tax (after they've been in the account for five years)
- Roth IRA contribution eligibility is subject to modified adjusted gross income, or MAGI
- Contributions are considered distributed before earnings in a Roth IRA

SUMMARY OF ROTH IRA AND TRADITIONAL IRA

	ROTH	TRADITIONAL
Description	Government savings plan that offers tax advantages for individuals to set aside money for retirement. Contributions are made with after-tax dollars.	Government savings plan that offers tax advantages for individuals to set aside money for retirement. Contributions are made with pre-tax dollars.
Tax Advantages	Account balances compound tax-deferred. BUT funds that are withdrawn are tax-free if account is five years old and account owner is over 59½.	Account balances compound tax-deferred until funds are withdrawn.
Maximum Contributions	100% of earned income*, up to $7,500 in 2026. Plus an additional $1,100, if age 50+. (Contribution limits are reduced by any contributions to any IRA.)	100% of earned income*, up to $7,500 in 2026. Plus an additional $1,100, if age 50+. (Contribution limits are reduced by any contributions made to any IRA.)
Eligibility	Individuals must have earned income* and modified adjusted gross income less than $153,000 for single, $242,000 for married couple.	Individuals must have earned income.
Tax Deductions on Contributions	No	Yes
Penalties for Early Withdrawal	10% penalty for withdrawals before age 59½ and five-year seasoning period. (Note: Roth contributions can be taken out at any time without penalty.)	10% penalty for withdrawals before 59½.
Exceptions for 10% Penalty	Yes	Yes
Cut-off Age for Contributions	No cut-off	No cut-off
Required Distributions	No	Required after reaching age 73.

*Earned income is defined as the salary or wages you receive as an employee. If you're self-employed, earned income is your net income for personal services performed. Passive income such as interest, dividends, and most rental income are not considered compensation for the purpose of funding an IRA. Consult a financial professional to determine your earned income.

High Contributions and Higher Deductions With Other Popular Retirement Plans

In addition to the Traditional and Roth IRAs, there are a number of other plans for individuals and small business owners.

You may also qualify for a SIMPLE, SEP, or Solo 401(k). While some of the plans seem only appropriate for small businesses, it's important to note that investors, like you, qualify for these plans in addition to a Traditional or Roth IRA.

The advantages of these plans are larger contribution limits and larger tax deductions, plus your spouse, if employed, is eligible to participate. The best part is that you can still contribute to standard individual plans like a Traditional or Roth IRA in addition to a small business plan like a SIMPLE or SEP.

HERE'S A QUICK OVERVIEW OF EACH

SIMPLE

The Savings Incentive Match Plan for Employees (SIMPLE) is popular with investors who have 100 employees or fewer. Participants can contribute up to $17,000 annually ($21,000 if you're 50+; $22,250 if you're 60-63) while the employer can match 1-3 percent of salary.

SEP

The Simplified Employee Pension Plan (SEP) allows for contribution amounts up to 25 percent of your salary, with a maximum of $72,000. The maximum considered compensation is $360,000. A requirement specific to the SEP is that the same contribution percentage must be made for all employees.

Solo 401(k)

The Solo 401(k) is often an attractive plan to investors, if they qualify, because it combines elements of the SEP and SIMPLE. You can make a salary deferral contribution of $24,500 annually ($32,500 if you're 50+; $35,750 if you're 60-63), plus an employer match and employer profit sharing. The total from both sources cannot exceed $72,000 ($80,000 if you're 50+; $83,250 if 60-63). The Solo 401(k) also has an option for a Roth component, which provides the same tax treatment as a Roth IRA.

SUMMARY OF SEP, SIMPLE, AND SOLO 401(K) PLANS

	SEP	SIMPLE	SOLO 401(k)
Description	Specifically designed for self-employed people and small business owners who typically employ fewer than 25 employees.	Designed for small businesses with 100 or fewer employees. The plan is funded by elective employee salary deferral and by employer matching contributions.	Enables sole proprietors to set up and contribute to a plan offering the same benefits as the conventional 401(k). It's only appropriate for a sole proprietor or a business (either a partnership or corporation) in which only the owner(s) and spouse(s) are employees.
Employer Contributions	Required uniform percent of each employee's pay (0-25%). Maximum considered compensation is $360,000.	Employer is required to make either an annual matching contribution between 1-3 percent or an annual non-elective contribution of 2% of compensation.	Employer match and employer profit sharing.
Minimum Coverage Requirements	Plan must cover all employees who earn at least $750, are at least 21 years of age and have worked for employer in three of the last five years.	Plan must cover all employees who earn at least $5,000 in the current year and have received at least $5,000 during any two preceding years.	Plan can only cover owner(s) and spouse(s).
Employee Contributions	Not Permitted	Up to $17,000 in 2025 ($21,000 if age 50-59 and 64+) ($22,250 for ages 60-63)	$24,500 ($32,500 if 50-59 and 64+) ($35,750 for ages 60-63)
Maximum Total Annual Contributions	25%, up to a maximum of $72,000 for 2026.	Employer matches up to 3% of salary.	$72,000 for 2026 ($80,00 if 50-59 and 64+) ($83,250 for ages 60-63)
Deductions	Contributions are generally tax deductible for the business.	Salary deferral contributions are generally deductible for the employee, employer contributions for the employer.	Salary deferral contributions may be deductible for the employee, employer contributions for the employer.
Withdrawals/ Distributions (Based on Plan Document Provisions)	Permitted subject to tax and, if under 59½, potential 10% penalty.	Permitted, however, if under age 59½, potential 10-percent penalty. (25% penalty if account is less than two years old.)	Permitted subject to tax and, if under 59½, potential 10% penalty.
Deadline for Establishment of Plan	Any time up to date of employer's tax-filing deadline (including extensions).	Any time between Jan. 1 and Oct. 1 of the calendar year. For a new employer beginning after Oct. 1, as soon as administratively feasible. Entries established during the year have until Dec. 31.	The deadline for establishing an Individual(k) and making a salary deferral election is Dec. 31. The deadline for the individual and employer contribution is your business tax return due date, including extensions.

SUMMARY OF SOLO 401(K) WITH AND WITHOUT ROTH PROVISION

	SOLO 401(K) WITH ROTH PROVISION	SOLO 401(K)
Description	Enables sole proprietors to set up and contribute to a plan offering the same benefits as a conventional Solo 401(k), BUT with the added bonus of tax-free distributions like the Roth IRA.	Enables sole proprietors to set up and contribute to a plan offering the same benefits as the conventional 401(k). It's only appropriate for a sole proprietor or a business (either a partnership or corporation) in which only the owner(s) and spouse(s) are employees.
Contribution	Two components comprise the maximum Solo 401(k) contribution: 1. An employee salary deferral contribution 2. An employer match and profit-sharing	
Contribution Limits	The employee under 50 years old is able to contribute up to $24,500 for 2026 through salary deferral, although this may not exceed 100% of pay. The employer match and employer profit-sharing can be up to $47,500 if maximum employee salary deferral contribution is made. Employees over 50 years old may contribute an additional $8,000 as a catch-up contribution; employees 60-63 years old may contribute an additional $11,250.	
Deadline for Establishment	The deadline for establishing a new plan and formally electing an employee deferral is December 31. The employer contribution can be made up to the business tax-filing date, including extensions.	

Do the Rising Costs of Health Care and Education Worry You?

Relax, self-directed IRAs aren't the only tax-advantaged accounts that allow you to invest in real estate and alternative assets. The two account types below allow you to take advantage of your real estate/non-traditional asset knowledge to pay for health and education costs.

The **Health Savings Account (HSA)** may help you pay your health insurance premiums, and HSA contributions are tax-deductible (subject to limitations). Set aside funds in your HSA to pay current and future medical expenses. An individual may contribute the lesser of his/her plan deductible or $4,400, and a family may contribute the lesser of their plan deductible or $8,750 for 2026. Individuals age 55-65 can make an additional $1,000 catch-up contribution.

The **Coverdell Education Savings Account (CESA)** is a trust or custodial account created for the purpose of paying the qualified education expenses of the designated beneficiary of the account. When the account is established, the designated beneficiary must be under age 18 or be a special needs-beneficiary. The annual contribution limit is $2,000 for each beneficiary, no matter how many CESAs are set up for that beneficiary. Contributions are not tax deductible, but amounts deposited in the account grow tax-free until distributed to pay for qualified education expenses.

The table on the next page provides information on the CESA and HSA accounts.

SUMMARY OF CESA AND HSA

	CESA	HSA
Description	Account created for the purpose of paying the qualified education expenses of the account's beneficiary.	Federal, tax-advantaged U.S. trust account used in connection with a high-deductible health plan for the payment of an individual's current and future medical expenses.
Minimum Eligibility Requirements	Beneficiary must be under 18 years of age, have no federal or state drug convictions, and/or no qualified state tuition programs.	Must have a high-deductible health plan and not be enrolled in any other medical plan; including Medicare and cannot be claimed as a dependent by someone else.
Contributions	In 2026, there's an annual contribution limit of $2,000. Anyone can contribute to the account. The deadline for contributions is April 15 (or Tax Day) for the previous year.	The contribution limit for individuals for 2026 is $4,400; for families the limit is $8,750. Catch-up for those 55-65 years old is an extra $1,000 per year.
Contribution Restrictions	Contributor is subject to Modified Adjusted Gross Income limits: If married, can make a full contribution if MAGI is under $190,000, and can make a partial contribution if MAGI is under $220,000. If single, can make a full contribution if MAGI is under $95,000, and can make a partial contribution if MAGI is under $110,000.	There's no Modified Adjusted Gross Income limit relating to HSA contributions. You can't contribute after age 65 but the account can continue to actively invest funds previously contributed.
Withdrawals	Withdrawals are tax-free ONLY if used for qualified education expenses. Beneficiary must withdraw before the age of 30 or name another beneficiary, if not, ordinary income tax and penalties occur.	HSA distributions are tax-free if used for qualified medical expenses. Funds that are not used for qualified medical expenses are subject to a 10% penalty and are taxed as ordinary income for those under age 65. Those over age 65 are not subject to the 10% penalty, but the funds are taxed.
Other Requirements	For more information, see IRS Publication 970.	The minimum deductible for individuals in 2026 is $1,700; for families, the minimum is $3,400. The annual out-of-pocket expense limit for individuals in 2026 is $8,500. For families, the limit is $17,000. For more information, see IRS Publication 969.

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