**For those of us seniors who have IRAs or Roth IRAs, we will not be exempt from income taxes this year, so be ready withdraw funds from your retirement accounts or pay a heavy penalty. We quote the following article from Barron’s magazine so that you will have accurate information to handle your mandatory withdrawal funds and pay your taxes for 2020. Read carefully and discuss this with your retirement accountant.**

**Good luck!**

**The Return of RMDs and Other Retirement Considerations You Should Know for 2021**

**By Cheryl Winokur Munk, *Barrons*, Dec. 26, 2020**

With the pandemic still raging but the promise of the vaccine in reach, many retirees are enthusiastically shoving 2020 aside and retooling for 2021. Here are some retirement-related matters to consider in the year ahead.

**Don’t Forget RMDs**

The Secure Act, passed in late 2019, boosted the age at which people must take required minimum distributions to 72 from 70½ and was supposed to take effect this year. Then the pandemic hit and the Cares Act allowed most people to skip RMDs this year if they wanted.

**That 2020 exemption on RMDs hasn’t been extended**, meaning people who are 72 or older in 2021 must take them by year-end or face a penalty. And the penalty for forgetting is steep—50% of the required distribution amount.

Some retirees—especially those who didn’t take an RMD in 2020—will have to take even more out in RMDs then they did in 2019 due to higher account balances, says Phillip Mitchell, a member of the American Institute of CPAs Personal Financial Planning Executive Committee.

**Retirement**

Barron’s brings retirement planning and advice to you in a weekly wrap-up of our articles about preparing for life after work.

A consideration for those who pay estimated taxes: 2020 might not be a good guide to go by since retirees who skipped RMDs may have had lower taxes as a result, says Michael Goodman, president and founder of Wealthstream Advisors in New York. Now’s a good time to talk to your tax preparer so you know whether you need to rejigger your estimates or your withholding for 2021, he says.

The goal is to avoid surprises at tax time in 2022. “To find out two weeks before a large bill is due can be a massive shock to the system, especially if you’re on a fixed income,” Goodman says.

**Contribution Figures and COLA**

The income ranges for determining eligibility to make deductible contributions to traditional IRAs, to contribute to Roth IRAs, and to claim the Saver’s Credit all increased slightly for 2021. Contribution levels, however, remained the same as 2020.

The limit on contributions by employees who participate in 401(k), 403(b), most 457 plans, and the federal government’s Thrift Savings Plan remains unchanged at $19,500, according to the IRS. Catch-up contributions for employees age 50 and up remains at $6,500. The limit on annual contributions to an IRA also remains unchanged at $6,000, with the catch-up contribution limit holding steady at $1,000. In addition, the total that can be put into retirement plans in 2021 increased to $58,000 from $57,000.

The Social Security Administration announced a 1.3% cost-of-living adjustment in October. Additionally, Social Security recipients in 2021 can earn $18,960 before full retirement age without having their benefits reduced, compared with $18, 240 in 2020. In 2021, they’ll be allowed to earn $50,520 in the year they reach full retirement age, versus $48,600 previously.

**Secure Act 2.0**

There is bipartisan interest in additional changes to the retirement system and 2021 could be the year it happens, says Steve Parrish, co-director of the Center for Retirement Income at the American College of Financial Services.

In October, Rep. Richard E. Neal (D., Mass.) and Rep. Kevin Brady (R., Texas) introduced the Securing a Strong Retirement Act of 2020, legislation that has been dubbed Secure Act 2.0. Many provisions in the bill are similar to a Senate bill introduced in 2019 by Sen. Rob Portman (R., Ohio) and Sen. Ben Cardin (D., Md.).

Some of the provisions, if passed, could have a significant impact on retirees. Among other things, the House bill would offer individuals 60 and older more flexibility to set aside savings as they approach retirement. It would also allow individuals to save for retirement longer by raising the RMD age to 75. Moreover, it would allow individuals more flexibility to make gifts to charity through their IRAs, raising the limit to $130,000 from $100,000.

**SOURCE**: ***https://apple.news/A1lxwhBWiSnuVaGv17TpGQw***