

Retirement plan and Social Security COLAs for 2008

Many of the figures that you need to know for your retirement and Social Security planning rise by schedules that have been introduced in previous years' tax legislation or through provisions for annual cost-of-living adjustments (COLAs).

Here's a rundown of key numbers that are in place for 2008.

Maximum retirement plan contribution limits

Maximum IRA/Roth IRA contributions	\$5,000
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Maximum IRA/Roth IRA contributions for those age 50 or older	\$6,000
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For contributions to a traditional IRA, the deduction phase-out range for those covered by a retirement plan at work begins at:

\$159,000 if only one active participant spouse

\$85,000 if both spouses active participants

\$53,000 for singles and heads of households

401(k) contribution limit	\$15,500
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401(k) contribution limit for those age 50 or older	\$20,500
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Social Security

Tax rate for employees	7.65%
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Tax rate for self-employed	15.30%
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Maximum earnings taxable

Social Security wage base	\$102,000
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Medicare wage base	no limit
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Retirement earnings test exempt amounts

Under full retirement age	\$13,560
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(\$1 in benefits is withheld for every \$2 in earnings above the limit.)

For the year in which full retirement age is reached	\$36,120
(\$1 in benefits is withheld for every \$3 in earnings above the limit, but only for months prior to reaching full retirement age.)	
After full retirement age is reached	no limit
Maximum Social Security benefit, at full retirement age	\$2,185 per month

Taxation of Social Security benefits

Singles with a “provisional income”:*

below \$25,000	no tax on benefits
from \$25,000 to \$34,000	tax on 50% of benefits
over \$34,000	tax on up to 85% of benefits

Marrieds filing a joint return with a “provisional income”:*

below \$32,000	no tax on benefits
from \$32,000 to \$44,000	tax on 50% of benefits
over \$44,000	pays tax on up to 85% of benefits

*The IRS defines “provisional income” as your modified adjusted gross income (MAGI) plus nontaxable interest plus one-half of your Social Security benefits. (MAGI is adjusted gross income plus tax-exempt income.)

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Any developments occurring after January 1, 2008, are not reflected in this article.