

USING AN IRA TO BUILD WEALTH



Executive Summary

A 65-year-old who contributed the maximum to an IRA every year since 1980 (age 20) in the S&P 500® would have the following balances on 3/31/2025:

Amount Contributed	\$ 182,500
3/31/2025 Balance	\$ 2,556,448
3/31/2025 Dividends	\$ 35,296

Maximum IRA Contribution

IRA contributions were first allowed in 1975. The maximum contribution has been as follows:

	<u>Maximum Contribution</u>	<u>In 2025 Dollars</u>
1975	\$ 1,500	\$ 9,236
1982	2,000	6,804
2002	3,000	5,434
2005	4,000	6,729
2008	5,000	7,599
2013	5,500	7,662
2019	6,000	7,647
2023	6,500	6,970
2024	7,000	7,281

Beginning in 2002, investors 50 years and older have been able to make a Catch-up Contribution, currently \$1,000.

Several Interesting IRA Facts:

1. IRAs held \$17.0 trillion in assets as of 12/31/2024. This is more than the \$8.9 trillion held in 401(k) plans.
2. Beginning in 1998, taxpayers could contribute to a Regular IRA (tax-deductible) or a Roth IRA (after-tax but earnings tax-free).
3. Since 2008, allowed contributions have been increased due to inflation, but they have only been adjusted in \$500 increments. Note how in 2025 dollars, the IRA contribution has stayed consistent since 2008 (right-hand column in table above). But the current \$7,000 contribution is less than the 1975 \$1,500 contribution adjusted for inflation.

Keith Note:

Another interesting fact—the IRA limit in 1980 was about 9.1% of what a typical household earned. In 2023, it was about 8.1%. **REMEMBER THAT OLD ADAGE**, “Save 10% of your income?” It is still true TODAY!

Contribute the Maximum = Become Wealthy?

On page 4 of this newsletter is a chart showing how much a 65-year-old in 2025 would have accumulated in their IRA after 45 years of investing.

1. Maximum contribution in each year on March 31st from 1980 (age 20).
2. Contributions made into the S&P 500® (expenses not considered).
3. Dividends reinvested at the end of each quarter.

At 3/31/25, the results were:

Amount Contributed	\$ 182,500
3/31/2025 Balance	\$ 2,556,448
3/31/2025 Dividends	\$ 35,296

Note the exponential growth:

3/31	Years Investing	Balance
1995	15	\$ 97,962
2005	25	303,376
2015	35	746,874
2025	45	2,556,448

Keith Note:

The BIG gains in compounding come in the later years...

START EARLY!

Ideas for You to Consider...

Note: IRA contributions can only be made if someone has earned income (wages or self-employment income).

- If you have extra money, consider making gifts to help your young child or grandchild fund a Roth IRA.
- Small contributions into a Roth IRA for a young person can grow to large sums with compounding.
- Many children/grandchildren earn money working summer jobs in high school. That is a great time to help them start a Roth IRA.

Investing Maximum IRA Contribution Using S&P 500®

Year (ending 12/31)	Age	IRA Contribution	Cumulative Investment	Year End Value	Hypothetical Income Stream
1980	20	1,500.00	1,500.00	2,070.91	96
1981	21	1,500.00	3,000.00	3,377.77	186
1982	22	2,000.00	5,000.00	6,724.90	327
1983	23	2,000.00	7,000.00	10,456.26	431
1984	24	2,000.00	9,000.00	13,283.10	620
1985	25	2,000.00	11,000.00	19,897.86	757
1986	26	2,000.00	13,000.00	25,682.28	874
1987	27	2,000.00	15,000.00	28,746.31	1,028
1988	28	2,000.00	17,000.00	35,694.27	1,306
1989	29	2,000.00	19,000.00	49,427.79	1,600
1990	30	2,000.00	21,000.00	49,886.46	1,885
1991	31	2,000.00	23,000.00	67,296.96	1,962
1992	32	2,000.00	25,000.00	74,624.59	2,076
1993	33	2,000.00	27,000.00	84,221.45	2,232
1994	34	2,000.00	29,000.00	87,471.15	2,545
1995	35	2,000.00	31,000.00	122,730.13	2,829
1996	36	2,000.00	33,000.00	153,168.10	3,135
1997	37	2,000.00	35,000.00	206,792.99	3,367
1998	38	2,000.00	37,000.00	268,028.05	3,489
1999	39	2,000.00	39,000.00	326,656.02	3,602
2000	40	2,000.00	41,000.00	298,678.73	3,601
2001	41	2,000.00	43,000.00	265,335.53	3,679
2002	42	3,000.00	46,000.00	209,169.77	4,051
2003	43	3,000.00	49,000.00	273,046.07	4,970
2004	44	3,000.00	52,000.00	305,936.80	5,382
2005	45	4,000.00	56,000.00	325,216.14	6,336
2006	46	4,000.00	60,000.00	380,913.23	7,380
2007	47	4,000.00	64,000.00	405,995.75	8,428
2008	48	5,000.00	69,000.00	259,492.45	8,216
2009	49	5,000.00	74,000.00	335,057.27	6,803
2010	50	6,000.00	80,000.00	391,989.67	7,518
2011	51	6,000.00	86,000.00	406,096.45	9,403
2012	52	6,000.00	92,000.00	477,006.02	11,947
2013	53	6,500.00	98,500.00	638,990.66	13,165
2014	54	6,500.00	105,000.00	733,413.11	14,918
2015	55	6,500.00	111,500.00	750,362.34	16,667
2016	56	6,500.00	118,000.00	846,770.54	18,185
2017	57	6,500.00	124,500.00	1,038,671.23	19,860
2018	58	6,500.00	131,000.00	999,785.09	22,637
2019	59	7,000.00	138,000.00	1,321,847.30	24,892
2020	60	7,000.00	145,000.00	1,575,861.76	24,569
2021	61	7,000.00	152,000.00	2,036,208.77	26,966
2022	62	7,000.00	159,000.00	1,674,647.22	30,339
2023	63	7,500.00	166,500.00	2,122,709.08	32,718
2024	64	8,000.00	174,500.00	2,661,772.78	35,861
3/31/25	65	8,000.00	182,500.00	2,556,448.00	35,296

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