May I still make contributions to my IRA as an ExPat?

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Yes. However, excluded income amounts must be used to compute income thresholds and phase-out limits. For example, your ability to contribute to a Roth IRA completely phases out at $129,000 for single filers and $191,000 for couples filing jointly. So, if you earn $191,000 and you are married, and you exclude all of your income because of the foreign earned income exclusion you would still be ineligible for a Roth IRA contribution.

There are similar rules for IRAs, SEPs and SIMPLEs including Individual 401k (i401k).

Another big caveat- any reduction in adjusted gross income created by your contribution to an IRA or i401k will reduce the amount of the foreign earned income exclusion. For example, if you were excluding $99,200 in earned income and you contributed $5,000 to an IRA, your exclusion is reduced by $5,000 to $94,200. So, there's no double dipping.

If your income is already 100% tax-free in the US due to the Foreign Earned Income Exclusion, there isn't any tax benefit to using a traditional 401(k), SEP, or IRA contribution. You are not benefiting from the deduction, and you will have to pay tax when the money comes out of the retirement account some day. Maximizing ROTH contributions (IRA, 401(k)) should be the strategy this flavor of expat uses. Yum!

Also, for expats with unused exemptions/deductions, it is recommended to rollover/convert any existing pre-tax retirement accounts into ROTH type accounts, in order to not lose or waste those exemptions/deductions. This gets a little technical, but just let us know if you fit this situation and we can help.

This stuff gets complicated- contact WCG (formerly Watson CPA Group) for income modeling so you can see how it comes together.