



IRS Increases 401(k) Limit By Record Amounts

As inflation soars, you can now save a lot more for your retirement

On October 21st, the Internal Revenue Service announced that the amount individuals can contribute to their 401(k) plans in 2023 has increased to \$22,500, up from \$20,500 for 2022. The IRS today also issued technical guidance regarding all of the cost-of-living adjustments affecting dollar limitations for pension plans and other retirement-related items for tax year 2023.

Highlights of Changes for 2023

The contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased to \$22,500, up from \$20,500.

The limit on annual contributions to an IRA increased to \$6,500, up from \$6,000. The IRA catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment and remains \$1,000.

The catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased to \$7,500, up from \$6,500. Therefore, participants in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan who are 50 and older can contribute up to \$30,000, starting in 2023. The catch-up contribution limit for employees aged 50 and over who participate in SIMPLE plans is increased to \$3,500, up from \$3,000.

The income ranges for determining eligibility to make deductible contributions to traditional Individual Retirement Accounts (IRAs), to contribute to Roth IRAs, and to claim the Saver's Credit all increased for 2023.

Taxpayers can deduct contributions to a traditional IRA if they meet certain conditions. If during the year either the taxpayer or the taxpayer's spouse was covered by a retirement plan at work, the deduction may be reduced, or phased out, until it is eliminated, depending on filing status and income. (If neither the taxpayer nor the spouse is covered by a retirement plan at work, the phase-outs of the deduction do not apply.) Here are the phase-out ranges for 2023:

- For single taxpayers covered by a workplace retirement plan, the phase-out range is increased to between \$73,000 and \$83,000, up from between \$68,000 and \$78,000.
- For married couples filing jointly, if the spouse making the IRA contribution is covered by a workplace retirement plan, the phase-out range is increased to between \$116,000 and \$136,000, up from between \$109,000 and \$129,000.
- For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the phase-out range is increased to between \$218,000 and \$228,000, up from between \$204,000 and \$214,000.

- For a married individual filing a separate return who is covered by a workplace retirement plan, the phase-out range is not subject to an annual cost-of-living adjustment and remains between \$0 and \$10,000.

The income phase-out range for taxpayers making contributions to a Roth IRA is increased to between \$138,000 and \$153,000 for singles and heads of household, up from between \$129,000 and \$144,000. For married couples filing jointly, the income phase-out range is increased to between \$218,000 and \$228,000, up from between \$204,000 and \$214,000. The phase-out range for a married individual filing a separate return who makes contributions to a Roth IRA is not subject to an annual cost-of-living adjustment and remains between \$0 and \$10,000.

The income limit for the Saver's Credit (also known as the Retirement Savings Contributions Credit) for low- and moderate-income workers is \$73,000 for married couples filing jointly, up from \$68,000; \$54,750 for heads of household, up from \$51,000; and \$36,500 for singles and married individuals filing separately, up from \$34,000.

The amount individuals can contribute to their SIMPLE retirement accounts is increased to \$15,500, up from \$14,000.

Source: [irs.gov](https://www.irs.gov)