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provides several enhancements, on top of inflation indexing already in place for certain plans.

Ken Berry • Jan. 31, 2023



The current tax law rules allow participants in defined contribution plans, like a 401(k) plan or a SIMPLE (short for Savings Incentive Match Plan for Employees) plan, to make elective contributions within generous limits. Similarly, individuals may contribute to IRAs outside of their workplace.

But some people still need to bolster their retirement savings late in life. To

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older can salt away an extra \$7,500, for a maximum total contribution of \$30,000 in 2023. Contributions compound tax-deferred until they are withdrawn

The new law carves out a special tax break for participants who are age 60 through 63. If you're in this group, the catch-up contribution maximum is increased to the greater of \$10,000 or 150% of the regular catch-up contribution amount for 2024. The \$10,000 amount will be adjusted for inflation annually, beginning in 2026.

2. SIMPLE plans: An employer may establish a SIMPLE if it has no more than 100 workers who have earned at least \$5,000 in the prior year. This type of plan is also available to self-employed individuals.

For 2023, the maximum contribution is \$15,500. Plus, an employee age 50 or older can add a catch-up contribution of up to \$3,500, for a total maximum of \$19,000.

Now SECURE Act 2.0 raises the limits. Beginning in 2024, the catch-up contribution limit for a SIMPLE is increased by 10% for employers with no more than 25 employees. Employers with 26-100 employees may provide these higher limits if they make a 4% matching contribution or a 3% employer contribution.

Furthermore, the new law creates a SIMPLE plan catch-up contribution limit for those ages 60-63. Beginning in 2025, the limit for that group is equal to the greater of \$5,000 or 150% of the regular 2025 catch-up contribution amount. This will also be adjusted annually for inflation after 2025.

3. IRA contributions: For years, the annual contribution limit for IRAs, which is indexed annually, remained stuck on \$6,000. But the contribution limit is increased to \$6,500 for 2023.

In addition, IRA participants can benefit from a catch-up contribution if they are age 50 or older. This amount was set statutorily at \$1,000 and therefore was not subject

to inflation indexing. So the maximum total contribution for 2023 is \$7,500.

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