

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

are age 60 through 63.

**Ken Berry, JD** • Oct. 25, 2023



Does your small business provide a 401(k) plan for your employees? If it does, the employees can contribute to their accounts within generous limits, building up funds for their retirement. Furthermore, the tax law allows 401(k) participants to make additional “catch-up contributions” when they’re past the prime of their careers.

Even better the new retirement planning last passed late last year—dubbed SECURE 2.0—generally enhances the rules for catch-up contributions. Now a new IRS ruling

delays implementation of a SECURE 2.0 requirement affecting high-earning

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

incentive for employees to participate. A common match is 50% percent of the first 6% of the amount you save. For instance, if your salary is \$100,000 and you contribute 6%, or \$6,000, to the plan, the employer may provide a matching contribution of \$3,000. (Other special rules nondiscrimination rules may come into play)



How much can an employee contribute each year? The limits are generous and indexed annually for inflation. For 2023, the limit on employee deferrals is \$22,500. Plus, an employee age 50 or older can kick in an extra \$7,500 catch-up contribution, bringing the maximum total for 2023 to \$30,000.

The new SECURE 2.0 law adds another layer, beginning in 2025, 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.

For example, using the 2023 catch-up contribution limit of \$7,500, the extra catch-up contribution for plan participants age 60-63 comes out to \$11,250. And you can expect the actual figure to be even higher two years from now.

Also, SECURE 2.0 requires catch-up contributions for employees who had wages over \$145,000 during the previous year to deposit these amounts in a Roth 401(k)

account. This change applies to all participants above the \$145,000 wage threshold

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

catch-up contributions after 2023. It clarifies that contributions are still allowed for 2024 and thereafter.

If you have any questions relating to catch-up contributions, don't hesitate to contact a professional advisor.

Financial Planning • Payroll

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved