RETIREMENT PLAN CONTRIBUTIONS

Individuals may wish to maximize their annual contributions to qualified retirement plans and individual retirement accounts (IRAs).

- ☐ The maximum amount in elective contributions that an employee can make in 2025 to a 401(k) or 403(b) plan is $23,500 ($31,000 if age 50 or over and the plan allows “catch-up” contributions). For 2026, these limits are $24,500 and $32,500, respectively.
- ☐ Effective January 1, 2025, the catch-up contribution was increased for plan participants who reached age 60, 61, 62, or 63 during the year. The catch-up contribution limit is the greater of $10,000 or 150% of the general catch-up limit in effect for 2024. For 2025, the super catch-up contributions limit for participants age 60 through 63 is $11,250 ($7,500 multiplied by 1.5). In 2026, the increased catch-up limit remains at $11,250, indexed for inflation.
- ☐ The SECURE Act permits a penalty-free withdrawal of up to $5,000 from traditional IRAs and qualified retirement plans for qualifying expenses related to the birth or adoption of a child after December 31, 2019. The $5,000 distribution limit is per individual, so a married couple could receive a total of $10,000.
- ☐ Under the SECURE Act, individuals are now able to contribute to their traditional IRAs in or after the year in which they turn 70½.
- ☐ Beginning in 2023, the SECURE Act 2.0 raised the age at which a taxpayer must begin taking required minimum distributions (RMDs) to 73. If the individual reaches age 72 in 2024, the required beginning date for the first 2025 RMD is April 1, 2026.
- ☐ Individuals age 70½ or older can donate up to $108,000 in 2025 ($111,000 in 2026) to a qualified charity directly from a taxable IRA.
- ☐ The SECURE Act generally requires that designated beneficiaries of persons who died after December 31, 2019, take inherited plan benefits over a 10-year period. Eligible designated beneficiaries (i.e., surviving spouses, minor children of the plan participant, disabled and chronically ill beneficiaries, and beneficiaries who are less than 10 years younger than the plan participant) are not limited to the 10-year payout rule. Special rules apply to certain trusts.
- ☐ Under final Treasury regulations (issued July 2024) that address RMDs from inherited retirement plans of persons who died after December 31, 2019, and after their required beginning date, designated and non-designated beneficiaries will be required to take annual distributions, whether subject to a 10-year period or otherwise.
- ☐ Small businesses can contribute the lesser of (i) 25% of employees’ salaries or (ii) an annual maximum amount set by the IRS each year to a simplified employee pension (SEP) plan by the extended due date of the employer’s federal income tax return for the year when the contribution is made. The maximum SEP contribution for 2025 is $70,000. The maximum SEP contribution for 2026 is $72,000. The calculation of the 25% limit for self-employed individuals is based on net self-employment income, which is

calculated after the reduction in income from the SEP contribution (as well as for other things, such as self-employment taxes).