

New Retirement Contribution Limits for 2025

The Internal Revenue Service (IRS) has released new limits for certain retirement accounts for the coming year.

Keep in mind that this update is for informational purposes only, so please consult with an accounting or tax professional before making any changes to your 2025 tax strategy. You can also contact your financial professional, who may be able to provide you with information about the pending changes.

Individual Retirement Accounts (IRAs)

Traditional IRA contribution limits will remain at \$7,000 for 2025. Catch-up contributions for those over age 50 also remain at \$1,000, bringing the total limit to \$8,000.

Remember, once you reach age 73, you must begin taking required minimum distributions from a Traditional IRA in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

Roth IRAs

The income phase-out range for Roth IRA contributions increases to \$150,000-\$165,000 for single filers and heads of household, a \$4,000 increase. For married couples filing jointly, phase-out will be \$236,000-\$246,000, a \$6,000 increase. Married individuals filing separately see their phase-out range remain at \$0-10,000.

To qualify for the tax-free and penalty-free withdrawal of earnings, Roth 401(k) distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawals can also be taken under certain other circumstances, such as the owner's death.

Workplace Retirement Accounts

Those with 401(k), 403(b), 457 plans, and similar accounts will see a \$500 increase for 2025, the limit rising to \$23,500. Those aged 50 and older will continue to have the ability to contribute an extra \$7,500, bringing their total limit to \$31,000. Those between the ages of 60 and 63 will have additional catch-up contributions of up to \$11,250, bringing their total limit to \$34,750.

Once you reach age 73 you must begin taking required minimum distributions from your 401(k) or other defined-contribution plans in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

SIMPLE Accounts

A \$500 increase in limits for 2025 gives individuals contributing to this incentive match plan a \$16,500 spotlight.

Much like a traditional IRA, once you reach age 73, you must begin taking required minimum distributions from a SIMPLE account in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

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