

2023 Retirement Plan Contribution Limits

The Treasury Department announced the inflation-adjusted figures for retirement account savings for 2023, and there's extra room for savings for wage- and salary-earners and the self-employed. If you have a 401(k), a SEP-IRA, or a SIMPLE you have the option, if you can swing it, to bump your contributions to the new max. Contact your Klaas Financial representative for more information. **Here are the details.**

Item	IRC Reference	2022 Limit	2023 Limit
401(k) and 403(b) Employee Deferral Limit ¹	402(g)(1)	\$20,500	\$22,500
457 Employee Deferral Limit	457(e)(15)	\$20,500	\$22,500
Catch-Up Contribution ²	414(v)(2)(B)(i)	\$6,500	\$7,500
Defined Contribution Dollar Limit	415(c)(1)(A)	\$61,000	\$66,000
Defined Benefit Dollar Limit	415(b)(1)(A)	\$245,000	\$265,000
Compensation Limit ³	401(a)(17); 404(l)	\$305,000	\$330,000
Highly Compensated Employee Income Limit ⁴	414(q)(1)(B)	\$135,000	\$150,000
Key Employee Officer	416(i)(1)(A)(i)	\$200,000	\$215,000
Social Security Taxable Wage Base		\$147,000	\$160,200

¹ Employee deferrals to all 401(k) and 403(b) plans must be aggregated for purposes of this limit. A lower limit applies to SIMPLE plans.

² Available to employees age 50 or older during the calendar year. A lower limit applies to SIMPLE plans.

³ All compensation from a single employer (including all members of a controlled group) must be aggregated for purposes of this limit.

⁴ For the 2023 plan year, an employee who earns more than \$135,000 in 2022 is an HCE. For the 2024 plan year, an employee who earns more than \$150,000 in 2023 is an HCE.

Information gathered from [irs.gov](https://www.irs.gov), where you can obtain [additional information](#).

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[klaasfinancial.com](https://www.klaasfinancial.com) | 800-396-0928 | 4707 Perry Ridge Lane, Loves Park, IL 61111-4412 | 5951 McKee Road, Suite 200, Fitchburg, WI 53719-5114

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Qualified Retirement Plans. The annual contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan, is \$22,500 for 2023, up from \$20,500 in 2022.

Catch-Up Contributions. The catch-up contribution limit for employees age 50 or older in these plans is \$7,500 in 2023. Even if you don't turn 50 until Dec. 31, 2023, you can make the additional \$7,500 catch-up contribution for the year.

SEP IRAs and Solo 401(k)s. For the self-employed and small business owners, the amount they can save in a SEP IRA or a solo 401(k) is \$66,000, up from \$61,000 in 2022. That's based on the amount they can contribute as an employer, as a percentage of their salary; the new compensation limit used in the savings calculation is \$330,000 in 2023, up from \$305,000 in 2022.

The SIMPLE IRA. The contribution limit on SIMPLE retirement accounts is \$15,500 in 2023, up from \$14,000 in 2022, and the catch-up limit for 2023 is \$3,500.

Defined Benefit Plans. The limitation on the annual benefit of a defined benefit plan is \$265,000 in 2023, up from \$245,000 in 2022. These are powerful pension plans (an individual version of the kind that used to be more common in the corporate world before 401(k)s took over) for high-earning self-employed folks.

IRAs. The limit for annual contributions to an Individual Retirement Account is \$6,500 for 2023, up from \$6,000 in 2022, and the catch-up contribution limit remains \$1,000. Remember that 2022 IRA contributions can be made until April 15, 2023.

Deductible IRA phase-outs. You can earn a little more in 2022 and get to deduct your contributions to a traditional pre-tax IRA. Note, even if you earn too much to get a deduction for contributing to an IRA, you can still contribute; it's just non-deductible.

In 2023, the deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (MAGI) between \$73,000 and \$83,000, up from \$68,000 and \$78,000 in 2022. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is \$116,000 to \$136,000, up from \$109,000 to \$129,000 in 2022. For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$218,000 and \$228,000, up from \$204,000 to \$214,000 in 2022. 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 \$0 to \$10,000.

Roth IRA phase-Outs. In 2023, the MAGI phase-out range for taxpayers making contributions to a Roth IRA is \$218,000 to \$228,000 for married couples filing jointly, up from \$204,000 to \$214,000 in 2022. For singles and heads of household, the income phase-out range is \$138,000 to \$153,000, up from \$129,000 to \$144,000 in 2022.

If you earn too much to open a Roth IRA, you can open a nondeductible IRA and convert it to a Roth IRA as Congress lifted any income restrictions for Roth IRA conversions. To learn more about the backdoor Roth, see *How A High-Earner Couple Got A Roth IRA And You Can Too* (bit.ly/forbes-roth).

The Saver's Credit. The 2023 MAGI limit for the saver's credit (also known as the retirement savings contribution credit) for low- and moderate-income workers is \$73,000 for married couples filing jointly, up from \$68,000 in 2022; \$54,750 for heads of household, up from \$51,000; and \$36,500 for married individuals filing separately and for singles, up from \$34,000 in 2022.

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