KATZ FINANCIAL SERVICES
Retirement, Estate and Insurance Planning Strategies

Jeffrey A. Katz, CLU®, ChFC®, RICP ®, AIF®
3 Country Club Lane • Hopedale, MA 01747 • Phone: 508.308.6050
E-Mail: Jeff@Katzfs.com • Web: www.katzfs.com

FROM THE DESK OF

JEFFRY A. KATZ

FEBRUARY 2023

Heads up … Several changes that you should be aware of from The Secure Act 2.0 included in the Consolidated Appropriations Act, 2023. This Act has 93 provisions that affect retirement and retirement savings. This is the second change to retirement plan rules in three years after more than a decade of no changes. Some of the more significant items appear below.

- Required Minimum Distributions (RMD's) increased to age 73 and will increase to age 75 in January 1, 2033.
- Auto-enrollment mandatory for new plan with 11+ employees
- Start up tax credit increase can make new plans almost "free" for small businesses.
- SIMPLE IRA may be replaced by safe harbor 401k mid-year starting in 2024
- SIMPLE IRA and SEP may accept ROTH contributions in 2023
- Penalty for missing RMD reduced to 25% from 50% in 2023

SPC 401(k) Korner Brent McCormick Jan 2023

IRA Contribution Limits for 2023

For anyone saving for retirement with a traditional or Roth IRA, the 2023 limit on annual contributions to their account goes up $500 – from $6,000 this year to $6,500 next year. That is an increase of 8.33%. The limit was stuck at $6,000 since 2019, but the steep inflation we've experienced lately finally gave it a boost. The additional IRA "catch-up" contribution for people 50 and over is not subject to an annual cost-of-living adjustment and stays at $1,000 for 2023 (for a total 2023 contribution limit of $7,500 if you're at least 50 years old).

2023 Contribution Limits for 401(k) and Other Employer-Sponsored Plans

Workers who are saving for retirement with 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan can contribute up to $22,500 to those plans in 2023. That's a $2,000 increase over the contribution limits in place for 2022. The "catch-up" contribution limit for employees age 50 or older who participate in these plans also jumps from $6,500 to $7,500 for 2023 – for a total limit of $30,000. So, for employees who are at least 50 years old, you can contribute over 11% more to your employer-sponsored retirement plan in 2023 than you can in 2022.

IRA Deduction Phase-Out Thresholds for 2023

If you put money in a traditional IRA, you may be able to deduct some or all of your contributions (no deduction is available for contributions to a Roth IRA). However, the deduction is gradually phased-out if your income is above a certain amount. For 2023, the phase-out ranges are:

- $73,000 to $83,000 for a single person covered by a workplace retirement plan (up from $68,000 to $78,000 in 2022);
- $116,000 to $136,000 for a married couple filing jointly if the spouse making the IRA contribution is covered by a workplace retirement plan (up from $109,000 to $129,000 in 2022);
- $218,000 and $228,000 for a married couple if the spouse contributing to an IRA is not covered by a workplace retirement plan and the other spouse is covered (up from $204,000 and $214,000 in 2022); and
- $0 to $10,000 for a married person filing a separate return who is covered by a workplace retirement plan (the same as 2022 because this range is not subject to an annual cost-of-living adjustment).

As the phase-out thresholds rise, more people will qualify for the full deduction – especially if your income remains flat from 2022 to 2023 or increases at a rate that's less than the rate of inflation.

Kiplinger Magazine Rocky Mengle Oct. 21, 2022