

# BIG INCREASE IN MANY 2023 RETIREMENT PLAN CONTRIBUTION LIMITS

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The IRS has announced the retirement contribution limits for 2023. Because many of these limits are tied to inflation, it shouldn't come as a surprise that some of the limits had a big jump. Here's a summary:

## **IRA and Roth IRA Contributions**

For the first time since 2019, the annual limit for annual traditional and Roth IRA contributions increased. The 2023 limit went up to \$6,500. Keep in mind that this is a combined limit for traditional and Roth IRA contributions; you can't make \$6,500 of each kind of contribution. Also, if your compensation is lower than the \$6,500 limit, you can't contribute more than the amount of your compensation. (There's an exception that allows a married person with little or no compensation to make a spousal contribution based on the spouse's compensation.) In addition, Roth IRA contributions are subject to income limits (discussed below).

Catch-up contributions for IRAs are available for any year in which you're age 50 or older at the end of the year. The age-50 catch-up limit for traditional or Roth IRA contributions isn't tied to inflation, so it remains \$1,000 for 2023

## **Roth IRA Compensation Limits**

Your modified adjusted gross income (MAGI) must be below a certain amount for you to make a direct Roth IRA contribution. For 2023, if you are married and file jointly, you can make a full Roth contribution if your combined MAGI is less than

\$218,000, a partial Roth contribution if combined MAGI is between \$218,000 and \$228,000, and no Roth contribution if combined MAGI is above \$228,000. The 2023 phase-out for single filers is \$138,000 - \$153,000.

Even if your MAGI is too high to make a direct Roth IRA contribution, you can still potentially make an indirect contribution by using the Backdoor Roth.

## **SEP and SIMPLE IRA Contributions**

The 2023 limit for annual SEP contributions (employer only; SEPs don't allow employee deferrals) is 25% of up to \$330,000 of pay, but no more than \$66,000. (For 2022, it's 25% of up to \$305,000 of pay, but no more than \$61,000.) If you're self-employed and your business is unincorporated, your 2023 limit is actually 20% of adjusted net earnings, but still no more than \$66,000.

The deferral limit for SIMPLE IRA employee deferrals jumped from \$14,000 to \$15,500 for 2023. And the age-50 catch up maximum went up to \$3,500 for 2023 (from \$3,000).

## **Workplace Savings Plans**

There was a big increase in the 2023 employee deferral limit for 401(k), 403(b) and 457(b) plans – from \$20,500 to \$22,500. And the age-50 catch-up limit jumped from \$6,500 to \$7,500. So, if you're 50 or older by December 31, 2023, you can put away as much as \$30,000 next year. Remember that this limit takes into account the total pre-tax and Roth contributions you make to ALL your plans in one calendar year.

There's also a separate plan limit that regulates the amount of most contributions (made by both the employee and the employer) that can be made to ANY single plan in any year. The 2023 overall limit is \$66,000, or \$73,500 if you make age-50 catch-up contributions. That is up from \$61,000/\$67,500 for 2022.

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