

# LEGAL UPDATE



## IRS ANNOUNCES 2025 RETIREMENT PLAN LIMITS

The IRS has released [Notice 2024-80](#), containing cost-of-living adjustments for 2025 that affect amounts employees can contribute to 401(k) plans and individual retirement accounts (IRAs).

### KEY CHANGES FOR 2025

The employee contribution limit for **401(k) plans in 2025 has increased to \$23,500**, up from \$23,000 for 2024. Other key limits include the following:

- + The employee contribution limit for **IRAs remains unchanged at \$7,000**.
- + The **IRA catch-up contribution limit** for individuals aged 50 and over **remains unchanged at \$1,000** for 2025 (despite this limit now including an annual cost-of-living adjustment because of legislation enacted at the end of 2022, referred to as "SECURE 2.0").
- + The employee contribution limit for **SIMPLE IRAs and SIMPLE 401(k) plans** is increased to **\$16,500**, up from \$16,000. Pursuant to a change made in SECURE 2.0, individuals can contribute a higher amount to certain applicable SIMPLE retirement accounts—for 2025, this higher amount **remains unchanged at \$17,600**.
- + The limits used to define a "highly compensated employee" and a "key employee" are increased to **\$160,000** (up from \$155,000) and **\$230,000** (up from \$220,000), respectively.
- + The **annual limit for defined contribution plans** (for example, 401(k) plans, profit-sharing plans and money purchase plans) is increased to **\$70,000**, up from \$69,000.
- + The **annual compensation limit** (applicable to many retirement plans) is increased to **\$350,000**, up from \$345,000.
- + The **catch-up contribution limit** for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans and the federal government's Thrift Savings Plan **remains unchanged at \$7,500**. Under a change made in SECURE 2.0, a **higher catch-up contribution limit applies to participants ages 60-63**; these participants can contribute up to **\$11,250** starting in 2025 (instead of \$7,500).

The income ranges for determining eligibility to make deductible contributions to traditional IRAs, contribute to Roth IRAs and claim the Saver's Credit (also known as the Retirement Savings Contributions Credit) also increased for 2025.

### MORE INFORMATION

The IRS's [news release](#) contains more details on the cost-of-living adjustments for 2025.

### IMPORTANT DATES

**Nov. 1, 2024**

The IRS released the 2025 retirement plan limits.

**Jan. 1, 2025**

The effective date of the 2025 retirement plan limits.

