



We all want a comfortable retirement. Planning for retirement is one of the most important financial tasks you need to consider so you are prepared when the time is right for you. The Secure Act brought many changes to retirement plan tax legislation – more than we have seen in over 10 years. While basic retirement planning is fairly simple these days due to online educational resources and tools, there are a lot of moving parts to be aware of so staying on top of frequent changes helps ensure you are getting the most out of your retirement plan.

Keep reading for important changes you should be aware of in 2023.

### 1. New 401(k) limits

Retirement saving plans like a 401(K) plan make saving for retirement easy and convenient. If you have access to a company-sponsored retirement plan, you can decide what percentage of each paycheck is put into a tax-deferred account. You can also choose from a menu of investment options based on your individual investment style and time horizon. Plus, many employers provide a match contribution which helps your savings grow even faster. When it's time for you to retire, you can take disbursements from the account and pay taxes at the income tax rate you fall under in retirement.

However, there are 401(k) savings limits you need to take into consideration each year. In 2022, the

employee contribution limit was \$20,500. In 2023, the limit is \$22,500 and those age 50 or older can make special “catch-up” contributions over the allowable limit. In 2022, the “catch-up” limit was \$6,500 and in 2023 it was raised to \$7,500. This means that in 2023 those age 50 and older can contribute up to a total of \$30,000.

### 2. Change in IRA Limits

An individual retirement plan is a good option for workers who do not have access to an employer-sponsored retirement plan. An IRA works much like a 401(k) plan except you open it yourself, add funds as you wish, and there is no involvement from an employer.

For 2019 through 2022, the IRA contribution limit was \$6,000 for people under age 50. For 2023, the IRA limit jumped to \$6,500 for savers under age 50. The year you turn age 50, you can contribute an extra \$1,000.

### 3. Change in IRA Income Phase-Out Ranges

The IRA Phase-Out is an income range that allows savers to contribute a partial amount to a Traditional IRA or Roth IRA. In order to make the fully allowable contribution to either IRA, you have to fall below a certain income level. If you are barely above that income level, you may fit into the phase-out range and be able to make a partial contribution.

There are different rules depending on which IRA you choose:

### Traditional IRA Phase-Out

The phase-out ranges for Traditional IRAs for 2023 start at \$73,000 and end at \$83,000 for single taxpayers covered by a workplace retirement plan. This means that single taxpayers who earn more than \$83,000 in 2023 cannot contribute to an IRA if they are covered by an employer-sponsored workplace plan.

Additional IRA phase-out ranges for 2023 follow:

- For couples filing jointly, the phase-out range is \$116,000 - \$136,000 if the spouse making the contribution is participating in a workplace plan
- If one spouse has a workplace plan and the other does not, the spouse who does not have a plan has a 2023 phase-out range of \$218,000 - \$228,000
- If married and filing separately the individual covered by a workplace plan has a phase-out range of \$0 - \$10,000 which is unaffected by annual adjustments.

If you are covered by an employer-sponsored workplace plan, use this [IRS table](#) to determine if your modified Adjusted Gross Income (AGI) affects the amount of your deduction.

### Roth IRA Phase-Out

Similar to a Traditional IRA, a Roth IRA is opened by you and you make contributions throughout the year with no involvement from an employer. The main difference is that the contributions are made after taxes have been paid on them, thus no taxes are paid when the money is withdrawn in retirement.

2023 phase-out ranges follow:

- For singles and heads of household, the 2023 phase-out range is \$138,000 to \$153,000 an increase from \$129,000 to \$144,000 in 2022)
- For married couples filing jointly, the 2023 range is \$218,000 to \$228,000 (compared to \$204,000 to \$214,000 in 2022)
- For married couples filing separately the phase-out range remains \$0 to \$10,000

If you fall into a Roth IRA phase-out range, the [IRS](#) provides instructions for figuring your contribution limit.

## 4. Changes in Social Security

Social Security payments are also increasing in 2023. The cost of living (COLA) increase for Social Security payments in 2023 is 8.7% - the largest increase in over four decades - making the relatively large COLA of 5.9% in 2022 look minimal in comparison. Realistically, the large COLA increase for 2023 is no real surprise given the high rates of inflation and climbing consumer prices seen this past year.

### Know what's ahead

There are a lot of moving parts when planning for your retirement, so be sure to keep on top of annual changes that may occur. The IRS updates information annually. [The Social Security Administration](#) also offers learning tools and tips to help you plan ahead and understand how Social Security fits into your retirement planning.

Social Security alone may not be enough to live on in retirement. Saving through a workplace plan or a privately-held IRA is a positive step in your overall future financial wellness.

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