

# Commco Comments

Timely Information and Updates for Employers and Retirement Plan Sponsors

## 2023 Retirement Planning Key Numbers

The Internal Revenue Service and Social Security Administration have announced significant changes to several key retirement planning figures for 2023.

Since retirement plan limit contribution increases are indexed to inflation, the recent high inflation has led to larger increases in many retirement plan limits than have been seen in recent history. For example, the limit on 401(k) salary deferrals is increasing by \$2,000, which is the largest ever single-year increase for this limit.

Salary Deferral Limits	2022	2023
<b>401(k) plans, 403(b) plans, 457(b) plans, and SAR-SEPs</b>	Lesser of \$20,500 or 100% of compensation, plus \$6,500 “catch up” if age 50 or older	Lesser of \$22,500 or 100% of compensation, plus \$7,500 “catch up” if age 50 or older
<b>SIMPLE 401(k) plans and SIMPLE IRA plans</b>	Lesser of \$14,000 or 100% of compensation, plus \$3,000 “catch up” if age 50 or older	Lesser of \$15,500 or 100% of compensation, plus \$3,500 “catch up” if age 50 or older

IRA Contribution Limits	2022	2023
<b>Traditional and Roth IRAs</b>	Lesser of \$6,000 or 100% of earned income, plus \$1,000 “catch up” if age 50 or older	Lesser of \$6,500 or 100% of earned income, plus \$1,000 “catch up” if age 50 or older

Defined Contribution (qualified, 403(b), and SEP) Plan Limits	2022	2023
<b>Annual total addition limit per participant</b>	Lesser of \$61,000 or 100% (25% for SEP) of participant’s compensation	Lesser of \$66,000 or 100% (25% for SEP) of participant’s compensation

Retirement plan compensation limits	2022	2023
<b>Annual compensation that can be considered in calculations</b>	\$305,000	\$330,000
<b>Compensation threshold used to determine a highly compensated employee</b>	\$135,000 earned in 2021	\$150,000 earned in 2022
<b>Compensation threshold used to determine a key employee in a top-heavy plan</b>	\$1 for more-than-5% owners \$200,000 for officers \$150,000 for more-than-1% owners	\$1 for more-than-5% owners \$215,000 for officers \$150,000 for more-than-1% owners

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*Prior to the 2023 increases, when was the last time the 401(k) salary deferral limit was raised by \$2,000 in one year?*



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<b>Income phase-out* range for deductibility of Traditional IRA contributions</b>	<b>2022</b>	<b>2023</b>
<b>If covered by an employer plan and filing as:</b>		
Single/Head of household	\$68,000 - \$78,000	\$73,000 - \$83,000
Married filing jointly	\$109,000 - \$129,000	\$116,000 - \$136,000
Married filing separately	\$0 - \$10,000	\$0 - \$10,000
<b>If not covered by an employer plan, but filing joint return with a spouse who is covered by a plan</b>	\$204,000 - \$214,000	\$218,000 - \$228,000

<b>Income phase-out* range for ability to fund a Roth IRA</b>	<b>2022</b>	<b>2023</b>
<b>Single/Head of household</b>	\$129,000 - \$144,000	\$138,000 - \$153,000
<b>Married filing jointly</b>	\$204,000 - \$214,000	\$218,000 - \$228,000
<b>Married filing separately</b>	\$0 - \$10,000	\$0 - \$10,000

*\*A phase-out is the gradual reduction of a tax credit as a taxpayer approaches the income limit to qualify for that credit. If your income is below the bottom of the phase-out range, you may qualify for the full credit. If it is above the top of the range, you may not qualify for any of the credit. Incomes within the phase-out range may qualify for a partial credit, with the percentage of credit received generally decreased as income increases.*

*This information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. You should discuss any tax or legal matters with the appropriate professional.*