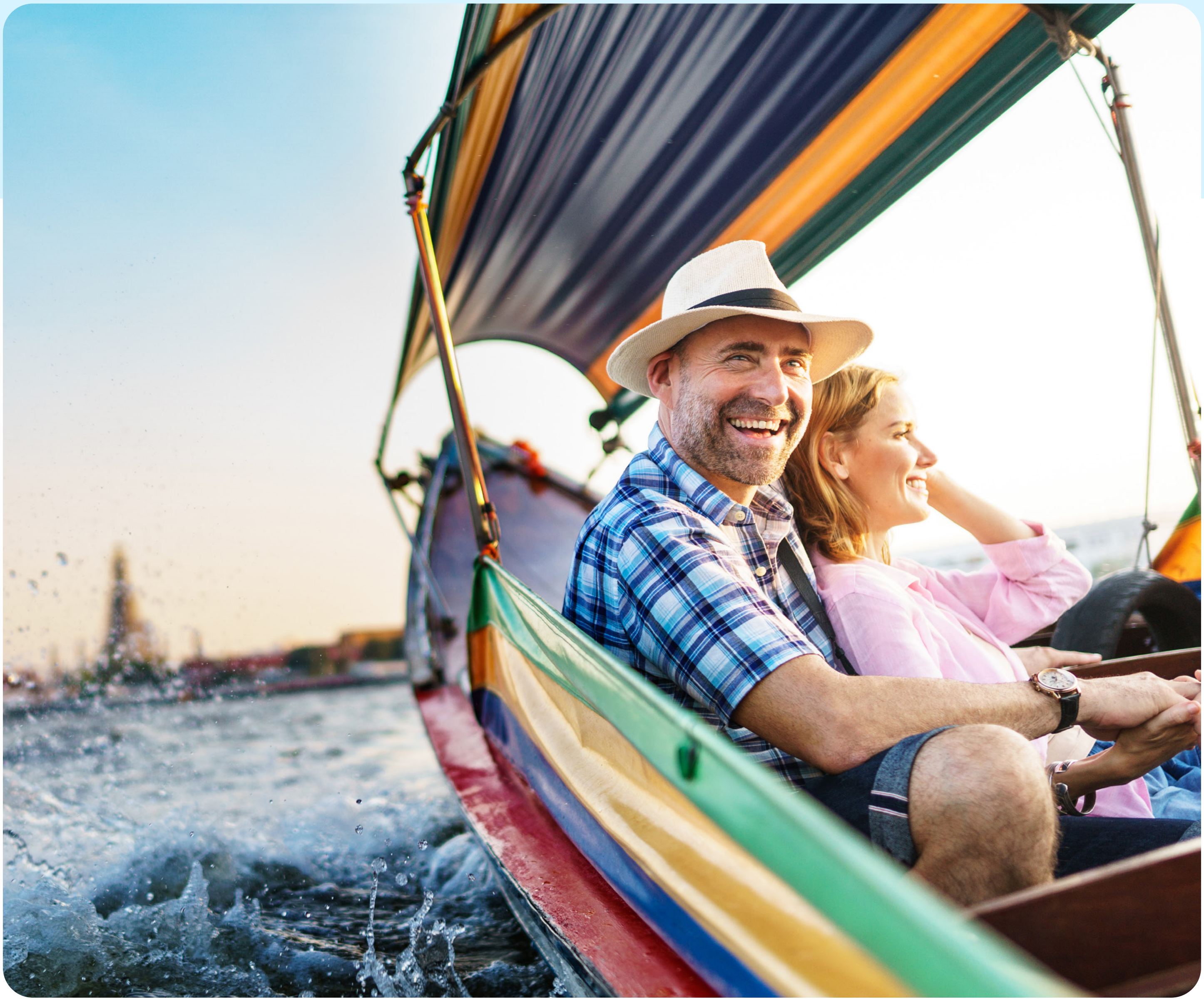
Retirement Solutions

2025 guide to retirement plans

A comparison of retirement plan types and features



	Type of taxpayer	Obligation to contribute	Minimum contributions/ benefits for top-heavy plans
Traditional IRA/ Roth IRA	**Any individual taxpayer with no maximum age.**	**Employees:** Contributions are voluntary. Employer: None	Not applicable
403(b)/ Roth 403(b)	**Employees** of nonprofit **501(c)(3) organizations,** schools and hospitals.	**Employees:** Elective deferrals (may be made as traditional pre-tax or Roth after-tax). Employer: May make contributions to the plan.	Not applicable
457(b)	Tax-exempt employers, including state and local governmental entities but not churches or church-controlled organizations or federal governmental entities, may cover **employees** and independent contractors.	**Employees:** Elective deferrals Employer: Generally none	Not applicable
SIMPLE IRA	Any employer, corporation, LLC, partnership or self-employed individual with no more than 100 **employees** (includes **employees** of **related employers**) earning at least $5,000 in compensation during any two years before the current calendar year and expects to receive at least $5,000 during the current calendar year. Limited to calendar plan year, but first year may generally start as late as October 1.	**Employees:** Elective deferrals Employer: Either: a) 100% match up to a maximum of 3% of compensation; or b) 2% non-elective contribution for each eligible **employee**. 3% match may be reduced to 1% in 2 out of 5 years.	Not applicable
SEP	Any employer, corporation, LLC, partnership or self-employed individual and their **employees**.	**Employees:** None Employer: None. Contributions are discretionary, but must be uniformly calculated across all eligible **employees**, or satisfy integration rules.	Up to 3% of gross compensation for all non-key **employee** participants.
SIMPLE 401(k)	Any employer, corporation, LLC, partnership or self-employed individuals with no more than 100 **employees** (includes **employees** of **related employers**) earning at least $5,000 in the preceding year.	**Employees:** Elective deferrals Employer: Either: a) 100% match to a maximum of 3% of compensation; or b) 2% non-elective contribution for each eligible **employee**. For plan years beginning after 12/31/23, both elective deferrals and catch-up contribution limits are increased by 10% for employers with 25 or fewer employees. Employers with more than 25 employees can provide increased deferral limits if the employer also increases the employer contribution by 1%.	Exempt; however must make mandatory employer contributions (see “Obligation to Contribute” column).
401(k)/ Roth 401(k)	Any employer, corporation, LLC, partnership or self-employed individual and their **employees** (state/local government cannot have a 401(k) unless in effect on or before May 6, 1986); Native American, rural cooperatives and the federal government may have 401(k).	**Employees:** Elective deferrals (may be made as traditional pre-tax or Roth after-tax) and voluntary after-tax contributions. Employer: May provide either fixed or discretionary matching contributions based on elective deferrals. May also provide discretionary profit sharing contribution unrelated to deferrals.	Generally up to 3% of gross compensation for all non-key **employee** participants. Plans consisting only of elective deferrals and employer contributions satisfying ADP/ ACP safe harbor requirements are exempt.
Profit sharing	Any employer, corporation, LLC, partnership or self-employed individual and their **employees**.	**Employees:** Generally none, unless part of a 401(k). Employer: Discretionary profit sharing contribution.	Generally up to 3% of gross compensation for all non-key **employee** participants.
Money purchase		**Employees:** Generally none Employer: Must contribute the amount specified in the contribution formula; usually a percentage of pay.	Generally up to 3% of gross compensation for all non-key **employee** participants.
Defined benefit		**Employees:** Generally none Employer: Must satisfy the minimum funding requirements or with 412(e)(3) (fully insured plans) make the necessary premium payments. Generally must pay PBGC premiums.	Benefits not less than 2% of non-key **employee’s** average annual compensation times years of service, up to 20% of average annual compensation.

	Maximum deductible contributions and benefit limits	Disadvantages
Traditional IRA/ Roth IRA	Generally, traditional IRA contributions are fully deductible. However, if either taxpayer or spouse is an active participant in an employer-sponsored plan, then adjusted gross income must be less than IRS-published thresholds for deductible Individual Retirement Accounts (IRAs) or Roth IRAs. Roth IRA contributions are not deductible. Maximum contribution is the lesser of 100% of earned income or $7,000. Earned incomes may be combined for joint filers to allow contributions up to $14,000. Individuals 50 years of age or older during the year may contribute up to an additional $1,000. See IRS Publication 590 for complete IRA rules.	Limited contribution levels. No employer contributions. Eligibility for deductible IRA contribution or direct Roth IRA contribution may be limited based on compensation.
403(b)/ Roth 403(b)	Maximum contribution is lesser of: • Annual additions limit of 100% of compensation up to $70,000, or • Elective deferral limit of $23,500. Individuals age 50 and older during the year may make a $7,500 catch-up contribution. Individuals who turn age 60-63 during the year may make a $11,250 catch-up contribution. Individuals with at least 15 years of service with certain qualifying organizations may also be eligible for an additional contribution of up to $3,000. Maximum compensation that may be considered is $350,000.	Restricted to certain employer entities and limited funding vehicles.
457(b)	**Employees:** Elective deferrals plus any employer contributions limited to $23,500. Individuals age 50 and older during the year may make an additional $7,500 catch-up contribution, if in a state or local governmental plan. If in a state or local governmental plan, individuals who turn age 60-63 during the year may make a $11,250 catch-up contribution. Possible higher amounts if within 3 years of normal retirement and less than the maximum was contributed in prior years.	Restricted to tax-exempt and governmental employers.
SIMPLE IRA	**Employees:** Lesser of total gross compensation or $16,500. Individuals age 50 and older during the year may make a $3,500 catch-up contribution. Individuals who turn age 60-63 during the year may make a $5,250 catch-up contribution rather than the standard $3,500 catch-up contribution. Employer: See “Obligation to Contribute” column. Maximum compensation that may be considered for determining the 2% non-elective contribution is $350,000 (maximum compensation limit does not apply to the matching contributions).	Lack of flexibility in employer contributions. Employees have access to funds at any time. Plan must cover all **employees** and leased **employees** of all related employers.
SEP	Maximum employer deductible contribution equals 25% of total gross compensation of eligible participants. Contributions may not exceed the lesser of 25% of total gross compensation or $70,000 (dollar limit adjusted if the SEP uses permitted disparity). Maximum compensation that may be considered is $350,000.	Easy for employer to overlook technical requirements. Plan must cover all **employees** and leased **employees** of all related employers.
SIMPLE 401(k)	**Employees:** Lesser of total gross compensation or $16,500. Individuals age 50 and older during the year may make a $5,250 catch-up contribution. Individuals who turn age 60-63 during the year may make an $11,250 catch-up contribution rather than the standard $7,500 catch-up contribution. Employer: See “Obligation to Contribute” column. Maximum compensation that may be considered is $350,000.	Lack of flexibility in employer contributions.
401(k)/ Roth 401(k)	Elective deferrals limited to $23,500. Individuals age 50 and older during the year may make an additional $7,500 catch-up contribution. Individuals who turn age 60-63 during the year may make an $11,250 catch-up contribution rather than the standard $7,500 catch-up contribution. Maximum employer deductible contribution equals 25% of total gross compensation of eligible participants. Deferrals fully deductible (not part of 25% limit). Participant annual addition limit is lesser of 100% of total gross compensation or $70,000. Maximum compensation that may be considered is $350,000.	Possible ADP/ACP test and other **nondiscrimination testing.** Increased flexibility may result in increased complexity and expense.
Profit sharing	Maximum employer deductible contribution equals 25% of total gross compensation of eligible participants. Participant annual addition limit is lesser of 100% of total gross compensation or $70,000. Maximum compensation that may be considered is $350,000.	Possible **nondiscrimination testing.** Increased flexibility may result in increased complexity and expense.
Money purchase	Maximum employer deductible contribution equals 25% of total gross compensation of eligible participants. Participant annual addition limit is lesser of 100% of total gross compensation or $70,000. Maximum compensation that may be considered is $350,000.	Fixed commitment contribution (but may change with proper notice).
Defined benefit	Contributions are determined by actuarial calculation for traditional defined benefit plan or by premium payments required under 412(e)(3). Pension Protection Act (PPA) of 2006 increased maximum deductions for Defined Benefit (DB) plans and employers with both DB and Defined Contribution (DC) plans. Maximum annual benefit is the lesser of 100% of participant’s average compensation for participant’s three highest paying years or $280,000 for any one participant. Reduced for less than 10 years of participation/service. Combined maximum deduction for offering both DC and DB plans increased if not covered by Pension Benefit Guaranty Corporation (PBGC), but eliminated for plans covered by PBGC.	Minimum funding requirement. Generally, required PBGC premiums. Employer assumes funding risk. May be difficult to communicate value of program to **employees**.

	Eligibility requirements for participation	Vesting/forfeitures
Traditional IRA/ Roth IRA	An individual must have earned income (or a spouse with earned income if filing jointly). Eligibility thresholds based on modified adjusted gross income apply for contributions to deductible IRAs and Roth IRAs but not to non-deductible IRAs. Rollovers/conversions of **qualified plans** or IRAs to Roth IRAs may be made regardless of gross income.	Immediate
403(b)/ Roth 403(b)	An individual must work for an eligible employer. (Funding arrangement generally limited to custodial accounts or annuity arrangements with whom the employer has entered into an agreement.) Eligibility rules for employer contributions parallel **qualified plan** rules.	100% for **employee** elective deferrals May provide vesting schedule for employer contributions.
457(b)	Tax-exempt limited to select group of management or **Highly Compensated Employees (HCEs).** Governmental can be available to all **employees.**	Non-governmental remains the property of plan sponsor until distributed and subject to creditor claims. Governmentals must be held in trust or annuity contracts.
SIMPLE IRA	**Employee** earned at least $5,000 in any 2 previous years; and **Employee** is expected to earn at least $5,000 during the current year. Includes **employees** of any **related employers** and **leased employees**. No permitted exclusions except union and non-resident aliens with no U.S. income.	Immediate
SEP	Maximums (may be reduced by plan): Age: 21 Waiting period: Has performed service in at least three of the immediately preceding five years. Earnings: At least $750 (**employees** need not be full-time to participate). Includes **employees** of any **related employers** and **leased employees.** No permitted exclusions except union and non-resident aliens with no U.S. income. IRS Model 5305-Simplified Employee Pension (SEP) does not permit concurrent plans.	Immediate
SIMPLE 401(k)	Age 21 (20½)* Waiting period: One year* (6 months). Hours: Only **employees** who work 1,000 hours or more in 12 months need to be covered (no hours are required if elapsed time is elected). May exclude various classes of **employees** as long as plan can pass IRS **minimum coverage** requirements and the excluded class is not inherently time based (e.g., consists of primarily part-time **employees**). A time-based exclusion may be used with a fail-safe provision (**employee** included if works 1,000 hours in 12 months). *Information in ( ) reflects the maximum for plans with a single entry date.	Immediate
401(k)/ Roth 401(k) **Profit sharing** **Money purchase**	Age 21 (20½)* Waiting period: One year• (6 months) for plans with a vesting schedule and elective deferrals under 401(k) plans. Elective deferrals: Long-term part-time employees who complete at least 500 hours in three consecutive years must be allowed to enter the plan. Years prior to 2021 are disregarded for determining eligibility. Effective January 1, 2024, long-term part-time employees who complete at least 500 hours in three consecutive years must be allowed to enter the plan. Years prior to 2021 are disregarded for determining eligibility. Effective January 1, 2025, long-term part-time employees who complete at least 500 hours in two consecutive years must be allowed to enter the plan. Employer contributions: Two years* (1½ years) for plans with full and immediate vesting. Hours: Only **employees** who work 1,000 hours or more in 12 months need to be covered (no hours are required if elapsed time is elected). May exclude various classes of **employees** as long as plan can pass IRS **minimum coverage** requirements and the excluded class is not inherently time based (e.g., consists of primarily part-time **employees**). A time-based exclusion may be used with a fail-safe provision (employee included if works 1,000 hours in 12 months). *Information in ( ) reflects the maximum for plans with a single entry date.	Employee elective deferrals and other **employee** contributions vest immediately. Employer contributions to defined contribution plans must vest no slower than: A. 100% after 3 years, or B. 20% per year starting after 2 years, fully vested after 6 years. Employer has option of reallocating forfeitures to remaining participants or reducing future contributions and/or expenses.
Defined benefit	Same eligibility requirements as profit sharing and money purchase plans for employer contributions. Must also benefit the lesser of 50 **employees** or 40% of the **employees** (minimum 2 **employees** unless only one).	Employer contributions must vest no slower than: A. 100% after 5 years, or B. 20% per year starting after 3 years, fully vested after 7 years. **Top heavy** plans must be no slower than DC schedule. Forfeitures may not be used to increase **employee** benefit.

	Nondiscrimination requirements	Distributable events
Traditional IRA/ Roth IRA	Not applicable	Upon request
403(b)/ Roth 403(b)	Not applicable to **employee** elective deferrals since universal availability is required with limited exclusions available. Employer contributions are subject to the same rules as **qualified plans.**	Severance from employment, death, disability, attainment of age 59½, hardship and plan termination. Restrictions on employer nonelective contributions similar to profit sharing plans. Pre-'89 deferrals (Tax-Sheltered Annuity–TSA only) may also be available at any time depending on plan provisions.
457(b)	Not applicable	Severance from employment, death, unforeseen emergency or plan termination.
SIMPLE IRA	Not applicable. Employer contributions limited to those described in "Obligation to Contribute" column. Employer and any **related employers** may not maintain another employer-sponsored retirement plan. Employee notices required prior to beginning of the plan year.	Upon request. Amounts may not be rolled to **eligible retirement plan** if participant has less than 2 years of participation (measured from first contribution) in SIMPLE.
SEP	Contributions must not discriminate in favor of **HCEs**. Employer contributions must generally bear a uniform relationship to total compensation. May be **integrated** with Social Security, but maximum annual addition limit is reduced by excess contribution.	Upon request
SIMPLE 401(k)	Not applicable. Employer contributions limited to those described in "Obligation to Contribute" column. Employer and any **related employers** may not maintain another employer-sponsored retirement plan. **Employee** notices required prior to beginning of the plan year.	Severance from employment, death, disability, age 59½, termination of plan or hardship.
401(k)/ Roth 401(k)	401(k): subject to **ADP and ACP nondiscrimination tests.** 401(k) Safe Harbor exempt from **ADP and ACP nondiscrimination tests** (However, voluntary after-tax contributions still subject to ACP testing): 100% match up to 3% and 50% match over 3% up to 5% of compensation deferred for each non-**HCE**, or • A non-elective contribution of 3% of compensation for each non-**HCE**, if added up to 30 days before the end of the plan year. • A non-elective contribution of 4% of compensation for each non-**HCE**, if added within 12 months following plan year. • Safe Harbor contributions are fully vested. Safe Harbor Match: **Employee** notices required prior to the beginning of each plan year. Safe Harbor Non-Elective: **Employee** notices only required prior to the beginning of each plan year if plan elects to be exempt from **ACP nondiscrimination testing.** Alternatively, a Qualified Automatic Contribution Arrangement similar to above safe harbor, but requires an automatic enrollment feature, vesting in safe harbor contributions after 2 years of service and different minimum formula for match option (100% first 1%, 50% next 5%).	Severance from employment, death, disability, age 59½, termination of plan and hardship. Employer contributions same as above, plus may generally allow for in-service withdrawals after fixed number of years or attained age. Plans with **Eligible Automatic Contribution Arrangement (EACA)** may permit withdrawal of automatic participant deferrals (and forfeiture of any corresponding match) within first 90 days of automatic enrollment. In-service withdrawals prior age 59½ unavailable for safe harbor, qualified non-elective, and qualified matching contributions.
Profit sharing	Employer profit sharing contributions may be allocated in a variety of ways. Most common are pro rata by compensation, **integration** with Social Security, combination of compensation and service, or vary by classes of **employees** (a.k.a., "new comparability," "cross-tested" or "class allocation"). Depending on employer allocation method, compensation used in allocation or benefits/features availability, plans may be subject to additional **nondiscrimination testing.**	
Money purchase	Most common contribution formulas are percentage of pay or **integration** with Social Security. Generally are not subject to additional **nondiscrimination testing.**	Severance from employment, death, disability and termination of plan or age 62, if earlier. In-service withdrawal only permitted upon attainment of normal retirement age or generally prior to age 62 (except if plan adopted age 59½ with SECURE Act), if earlier.
Defined benefit	Most common contribution formulas are percentage of pay, percentage of pay times, years of service, **integration** with Social Security or cash balance formula. Pay may be averaged over career or fixed number of years. May be subject to **nondiscrimination testing** depending upon plan provisions.	For plan years beginning 7/1/08 or after: Severance from employment, death, disability and termination of plan or generally prior to age 62 (except if plan adopted age 59½ with SECURE Act), if earlier. In-service withdrawal only permitted upon attainment of normal retirement age or age 62 (except if plan adopted age 59½ with SECURE Act), if earlier.

	Tax treatment of distributions/rollovers	Government filing requirements	Key benefits/advantages
Traditional IRA/ Roth IRA	Generally, distributions from tax-deferred retirement plans are subject to tax reporting and withholding via IRS Forms 1099-R (distribution tax reporting) and 945 (withholding reporting). Generally, all distributions are subject to ordinary income tax, unless there is a return of an after-tax contribution or investment in an annuity contract or a **qualifying distribution** from a Roth IRA or Roth account. Premature: If made before age 59½, death or qualifying disability, taxable distributions are subject to 10% excise tax unless the taxpayer meets certain limited additional exceptions, which vary by type of retirement plan. See IRS Publications 560, 571, 575 and 590. No premature distribution tax for distributions from a 457(b). Does not apply to distributions made to individuals on a qualified military leave. Distributions from Savings Incentive Match Plans for Employees (SIMPLE) within 2 years of plan participation (measured from participant's first contribution) incur a 25% excise tax. Required Minimum Distributions (RMDs): Unless an RMD is taken prior to April of the year following attainment of age 73 starting in 2023 for those who turn age 72 after 12/31/22 (while age 70½ still applies to participants who reached this age on or before 12/31/19; or, except for IRA or 5% owners, the year in which an **employee** retires, if later) and prior to each December 31 thereafter, a tax equal to 25% (possibly 10% if RMD is timely corrected within two years) of the taxable amount that should have been distributed may be imposed on the account owner or plan participant. Does not apply to Roth IRA. Distributions due to death subject to specific timing and deadlines under the RMD rules regardless of the decedent's age. Also applies to Roth IRA. Rollovers: Direct rollovers (or rollovers within 60 days of receipt; certain exceptions may apply) of eligible distributions may be made tax free between eligible retirement plans, including **qualified plans**, IRAs, 403(b)s and governmental 457(b) plans. Rollovers from a Roth account may only be made to another Roth account or Roth IRA. Rollover of voluntary after-tax contributions may be made to Roth IRA; however, gains will be taxed unless rolled to traditional IRA. Roth IRA distributions may only be made to another Roth IRA. Most distributions from **eligible retirement plans** subject to 20% mandatory federal withholding unless directly rolled over. A surviving spouse may roll over assets from a deceased spouse's account and treat that rollover account as the survivor's own account. A non-spouse beneficiary may roll over assets to an inherited IRA. Distributions under the IRA must comply with the death benefit distribution rules. Rollovers from non-Roth retirement accounts may be made to Roth IRAs following rules similar to conversions of traditional IRAs to Roth IRAs. A 401(k) or 403(b) plan, which permits Roth after-tax contributions, may also permit a participant to make an in-plan conversion to a Roth account of all or a portion of the non-Roth accounts, even if the amounts are not otherwise distributable. However, distribution restrictions would continue to apply and may be subject to the early distribution tax if distributed within 5 years of conversion. Works similar to a Roth IRA rollover. Benefits of tax-exempt 457(b) taxable upon distribution or when made available. Roth 401(k), Roth 403(b) and Roth IRA contributions are after-tax, not taxable upon distribution and the investment income is tax free if a **qualifying distribution.**	Individual must annually report non-deductible contribution on Form 8606.	Simplicity **Employee** pays all. Roth IRA has no minimum distribution requirements while owner is alive and **qualifying distributions** are tax free.
403(b)/ Roth 403(b)		Annual IRS/ DOL 5500 Series required, if subject to ERISA.	Elective deferrals not subject to **nondiscrimination testing.** Participant loans available. Ability to make Roth-type contributions and eliminate taxable income on qualifying distributions. Final regulations eliminate life insurance, but prior policies grandfathered. Employer non-elective contributions may be made up to five years following severance. Special catch-up contributions may be available to **employees** with 15 years of service with certain organizations.
457(b)		Not applicable	May double **employee** elective deferral limit. No **nondiscrimination testing** required. Participant loans only available in governmental plans.
SIMPLE IRA		None	Minimal employer cost and administration.
SEP		None, if plan uses alternative 5500 option (most do).	Minimal employer cost and administration. Plan can be established retroactively after employer fiscal year end (e.g., by tax filing deadline).
SIMPLE 401(k)		Annual IRS/DOL 5500 Series	Moderate employer cost and administration. Not subject to **nondiscrimination testing.** Participant loans and life insurance available.
401(k)/ Roth 401(k)		Annual IRS/DOL 5500 Series	Flexibility. Ability to weight employer contributions to highly paid **employees.** Vesting schedule permissible for employer contributions. Name recognition for **employee** recruitment. Participant loans and life insurance available. Ability to exclude some **employees.** Ability to make Roth-type contributions up to the calendar year 401(k) deferral limit regardless of income and eliminate taxable income on qualifying distributions.
Profit sharing		Annual IRS/DOL 5500 Series	Flexibility. Ability to weight employer contributions to highly paid **employees**. Vesting schedule permissible. Participant loans and life insurance available. Ability to exclude some **employees**. Plan can be established retroactively after employer fiscal year end (e.g., by tax filing deadline).
Money purchase		Annual IRS/DOL 5500 Series	Moderate employer cost and administration. May be appealing to tax-exempt and governmental organizations. Participant loans and life insurance available. Ability to exclude some **employees**. Plan can be established retroactively after employer fiscal year end (e.g., by tax filing deadline).
Defined benefit		Annual IRS/DOL 5500 Series	Ability to weight contributions to older, higher-paid **employees**. Better rewards for longer-service **employees**. Ability to target to a level of post-retirement income. Deductible contributions may be higher than other retirement plans. Participant loans and life insurance available. Ability to exclude some **employees**. Plan can be established retroactively after employer fiscal year end (e.g., by tax filing deadline) but in advance of DB minimum funding deadline.

Annual Contribution/Benefit Thresholds

Employer retirement plans

Elective deferral limits

Plan type	Deferral limit[1]	
401(k), 403(b), 457(b), SARSEP	2025 2024	$23,500 $23,000
SIMPLE	2025 2024	$16,500 $16,000
HCE compensation thresholds[2]	2025 2024	greater than $160,000 greater than $155,000
Annual compensation limits	2025 2024	$350,000 $345,000
Annual additions limits	2025 2024	$70,000 $69,000

Catch-up contributions

For individuals age 50 and older as of the end of the calendar year.

Plan type	Catch–up amount[1]	
401(k), 403(b), 457(b), SARSEP	2025	$7,500 Age 60-63 catch-up amount: $11,250
	2024	$7,500
SIMPLE	2025	$3,500 Age 60-63 catch-up amount: $5,250
	2024	$3,500
Only state or local governmental 457(b) plans may provide for catch-up contributions as shown above. For any 457(b) plan, a special limit may be available that is up to twice the otherwise allowed deferral in the three years prior to normal retirement.		

Roth IRA contributions

AGI thresholds		
Married	2025 2024	$236,000 - $246,000 $230,000 - $240,000
Single	2025 2024	$150,000 - $165,000 $146,000 - $161,000

Traditional IRA tax deductibility for active participants in a retirement plan

Adjusted gross income (AGI) phase-out limits (subject to $1,000 inflation adjustments)		
Tax year	**AGI single**	**Joint**
2025 2024	$79,000 - $89,000 $77,000 - $87,000	$126,000 - $146,000 $123,000 - $143,000

IRA catch-up contributions

For individuals age 50 and older as of the end of the calendar year; 2006 and thereafter $1,000.

IRA contribution limits	
2025 2024	$7,000 $7,000

1 Indexed for inflation in $500 increments, provided COLA is at least $500.

2 Employees who earn more than the threshold amount in a given year will generally be considered HCEs in the next year.

Tax credit for elective deferrals and IRA contributions

Elective deferrals and other employee contributions may be eligible for a tax credit[3] of up to $1,000 per year per individual under 401(k), 403(b), 457(b), SIMPLE and SARSEP plans and traditional Roth IRAs, based on adjusted gross income. This tax credit is over and above any applicable income tax deductions for the contributions. Since elective pre-tax deferrals and deductible IRA contributions reduce adjusted gross income, an individual may become eligible for additional or higher tax credits such as the Earned Income Credit.

Table of employee tax credits for 2024 based on adjusted gross income (e.g., after deductions)

Joint filers	Head of households	All other filers	Tax credit
$0 - $47,500	$0 - $35,675	$0 - $23,750	50%
$47,501 - $51,000	$35,676 - $38,250	$23,751 - $25,500	20%
$51,001 - $79,000	$38,251 - $59,250	$25,501 - $39,500	10%
Over $79,000	Over $59,250	Over $39,500	0%

3 Credit may not exceed the amount of tax liability the individual would have had prior to the application of the credit. Tax credit applies to first $2,000 contributed and is reduced by certain taxable distributions. See IRS Form 8880 for more information.

Cost-of-living adjustments to compensation dollar limits

	2025	2024	2023	2022	2021
Taxable wage base					
Social Security	$176,100	$168,600	$160,200	$147,000	$142,800
Medicare	unlimited	unlimited	unlimited	unlimited	unlimited
Qualified plan					
Maximum compensation	$350,000	$345,000	$330,000	$305,000	$290,000
Highly compensated threshold[4]	$160,000	$155,000	$150,000	$135,000	$130,000
Key employee definition					
officer test	$230,000	$220,000	$215,000	$200,000	$185,000
>1% owner test	$150,000	$150,000	$150,000	$150,000	$150,000

4 Employees who earn more than the threshold amount in a given year will generally be considered Highly Compensated Employees (HCEs) in the next year.

Cost-of-living adjustments to contribution dollar limits

	2025	2024	2023	2022	2021
401(k), 403(b), SARSEP Maximum elective deferral	$23,500	$23,000	$22,500	$20,500	$19,500
401(k), 403(b), SARSEP Maximum catch-up contribution	$7,500 Age 60-63 catch-up: $11,250	$7,500	$7,500	$6,500	$6,500
SIMPLE 401(k), SIMPLE IRA Maximum elective deferral	$16,500	$16,000	$15,500	$14,000	$13,500
SIMPLE 401(k), SIMPLE IRA Maximum catch-up contribution	$3,500 Age 60-63 catch-up: $5,250	$3,500	$3,500	$3,000	$3,000
Defined contribution annual additions limit	$70,000	$69,000	$66,000	$61,000	$58,000
Defined benefit annual benefit limit	$280,000	$275,000	$265,000	$245,000	$230,000

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