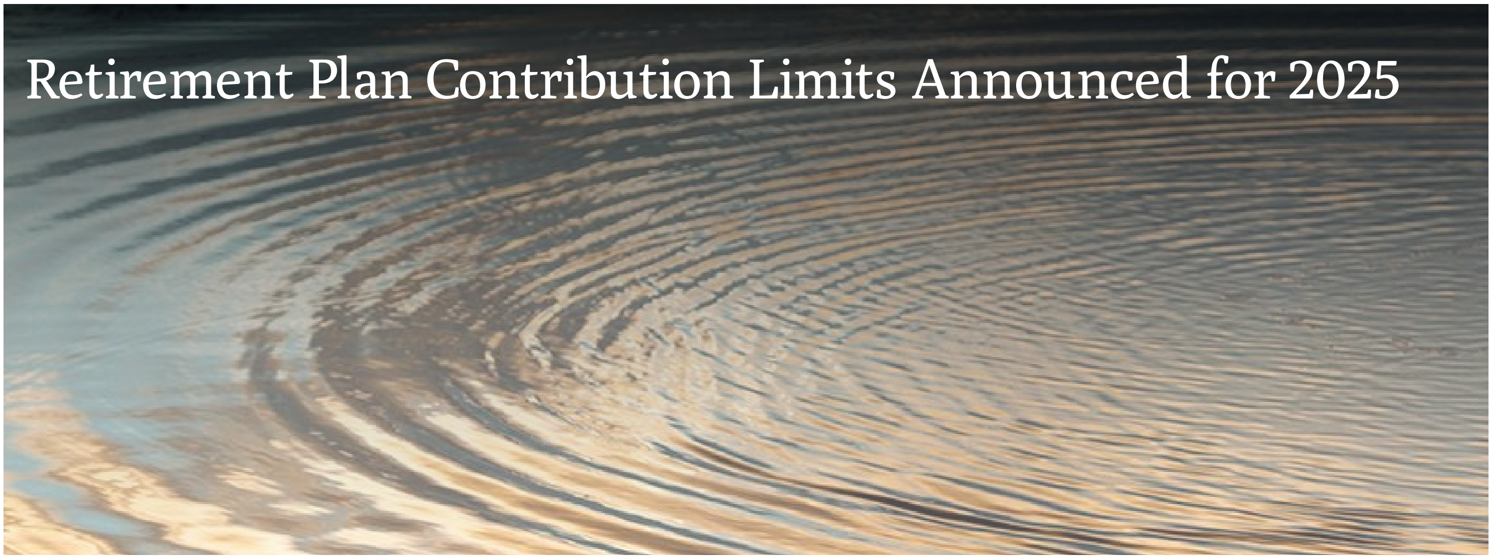
WINSTON & STRAWN LLP

BLOG

Retirement Plan Contribution Limits Announced for 2025



NOVEMBER 4, 2024

The IRS recently released Notice 2024-80 to announce cost-of-living adjustments to the indexed dollar limits applicable to retirement plans. The chart below shows how the 2025 limits compare to the 2024 limits. Most importantly, the new IRS guidance addresses the SECURE 2.0 change to the catch-up contribution limit for participants aged 60 to 63; this “super-catch-up” is effective January 1, 2025.

TYPE OF LIMIT	2024	2025
Defined Benefit Annual Benefit	$275,000	$280,000
Defined Contribution Annual Contribution	$69,000	$70,000
401(k)/403(b) Elective Deferrals	$23,000	$23,500
Catch-Up Contributions (Ages 50+)	$7,500	$7,500 (no change)
Catch-Up Contributions (Ages 60-63 Only)[1]	N/A	$11,250

Annual Compensation	$345,000	$350,000
"Key Employee" for Top-Heavy Plan	$220,000	$230,000
"Highly Compensated Employee"[2]	$155,000	$160,000
Social Security Wage Base	$168,600	$176,100

Notice 2024-80 also includes changes to other limits, including increases that apply to employee stock ownership plans, governmental plans, IRAs, and multiemployer plans, which are not reflected in the chart above.

Please note: Winston and Strawn prepared a Benefits Blast Blog Post on the Health and Welfare Benefit Plan Limits for 2025 earlier this year. For more information, please see the above link.

Winston Takeaway: Plan sponsors should ensure the increased dollar limits are appropriately reflected in their payroll and plan administration programs for 2025 and included in annual and other required communications to plan participants. In particular, sponsors of 401(k) and 403(b) plans should determine whether they will apply the increased catch-up contribution limit for participants ages 60 to 63 beginning in 2025. If sponsors wish to adopt this change, it will need to be communicated to participants and reflected in payroll and plan administration practices.

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[1] This higher catch-up limit was part of SECURE 2.0 and is effective January 1, 2025. It is optional and is only applicable to participants who attain ages 60,61, 62, or 63 in 2025.

[2] Whether an employee is a "highly compensated employee" in a given year is based on the employee's compensation earned during, and using the limit applicable for, the preceding year, so an individual will be a highly compensated employee in 2026 if he or she earns $160,000 in 2025.

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