

ALERTS

What Are the Maximum Retirement Plan Benefits and Dollar Limits for 2025?

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The Secretary of the Treasury announced the 2025 limits for qualified retirement plans and IRAs based on cost of living increases. The Consumer Price Index for all Urban Consumers is the benchmark used to determine the index. With a cost-of-living increase of just 2.5%, employees will see modest dollar limits increases for 2025 for most of the key plan limits, as noted in the table on page 2 of this *Alert*.

IRS Notice 2024-80 sets forth the annual dollar limitations on benefits and contributions to qualified plans, effective Jan. 1, 2025, as required under Section 415(d) of the Internal Revenue Code. For 2025, the cap on employee deferrals increases to \$23,500, however, catch-up contributions will remain at \$7,500. The new catch up for individuals ages 60-63 is \$11,250. The annual additions limit for 401(k), 403(b) and other defined contribution plans increases from \$69,000 to \$70,000.

For 2025, highly compensated employees, who participate in both qualified and non-qualified plans, will have a greater amount of their compensation allocated to their qualified plan due to the increase in the compensation limit from \$345,000 to \$350,000.

Employers and Plan Sponsors of qualified retirement plans should communicate the new limits for 2025 to their plan participants. We are available to advise you on updating your enrollment materials, summary plan descriptions, employee handbooks and other employee communications. If you have any questions about the new limits or any other employee benefit matters, please feel free to contact one of the authors.

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