

November 1, 2023

Mr. & Mrs. Valued Client  
123 Main Street  
Town, MO 63xxx

Dear Client Name:

I wanted to update you on the new IRA and retirement plan limits for 2023 and 2024. Please find below the information that you need to know.

The 2024 contribution limit for Qualified Plans (including 401k, 403b and 457 plans) has increased to \$23,000. If you will turn age 50 or older this year, the "catch-up" provision allows you to contribute more money to certain plans. For those age 50 or over, an additional \$7,500 "catch-up" contribution can be made in the 401(k) for a total of \$30,500 in 2024. If you are able to take advantage of the increased contribution limits, you should contact your Human Resource or Payroll Department to increase the payroll deductions.

The maximum amount you can contribute to an IRA or a Roth IRA for 2023 is \$6,500 and increases to \$7,000 for 2024. You have until April 15<sup>th</sup> to make a prior year contribution. If you were at least 50 at the end of the tax year for which you are contributing, you can take advantage of the "catch-up" contribution, which remains the same this year at an additional \$1,000. The amount of your Roth IRA contribution and the Traditional IRA deduction depend on your income as explained below.

A contribution to a traditional Individual Retirement Account (IRA) allows you to deduct the amount of your contribution from your current income, up to the limits listed below, thus lowering your overall tax liability. The account grows tax-deferred until you can withdraw it IRS penalty-free at age 59½. At that point, any withdrawal amount is taxed as ordinary income subject to your marginal income tax rate.

Although a contribution to a Roth IRA is not tax-deductible, the account grows income tax-free; therefore, the earnings can be taken out tax-free and penalty-free after 59½ for both the owner and the beneficiary. Another advantage of a Roth is you are not required to make Required Minimum Distributions (RMDs).

To be eligible to contribute to any IRA you need to have earned income during the tax year in question. If you and your spouse are *not* active participants in your company savings plan, you may make a full deductible contribution regardless of your income. If one of you is an active participant in a retirement or 401(k) plan but your spouse is not, then you may be eligible for a spousal IRA. See the chart below for complete details.

## Traditional IRA

<u>Single Taxpayer</u>		<u>Married Taxpayer</u>	
<i>Year</i>	<i>Phase-out Range</i>	<i>Year</i>	<i>Phase-out Range</i>
2023	\$73,000 - \$83,000	2023	\$116,000 - \$136,000
2024	\$77,000 - \$87,000	2024	\$123,000 - \$143,000

Marital Status	Active Participant	Modified AGI relative to phase-out ranges (above)		
Single	Yes	<i>Below Phase-out</i> Full Deduction	<i>Within Phase-out</i> Partial Deduction	<i>Above Phase-out</i> No Deduction
	No	Full Deduction	Full Deduction	Full Deduction
Married Filing Jointly	Yes	<i>Below Phase-out</i> Full Deduction	<i>Within Phase-out</i> Partial Deduction	<i>Above Phase-out</i> No Deduction
	No	Full Deduction	Full Deduction	Full Deduction
Spousal IRA (filing jointly)				
For 2023		< \$218,000	\$218,000- \$228,000	> \$228,000
For 2024		< \$230,000	\$230,000- \$240,000	> \$240,000
One spouse active, the other not		Full Deduction	Partial Deduction	No Deduction

## Roth IRA

<u>Single Taxpayer</u>			<u>Married Taxpayer</u>		
<i>Year</i>	<i>Contribution</i>	<i>Phase-out Range</i>	<i>Year</i>	<i>Contribution</i>	<i>Phase-out Range</i>
2023	\$73,000	\$83,000	2023	\$116,000	\$136,000
2024	\$77,000	\$87,000	2024	\$123,000	\$143,000

The Health Savings Account (HSA) contribution limits have increased as well. A single filer can contribute \$4,150 and a family can contribute up to \$8,350, with a catch up of \$1,000 for those who are age 55 and older.

Thank you for trust and confidence. I look forward to talking with you in the near future.

Sincerely,

Casey D. Hunt, CFP® CMT

CERTIFIED FINANCIAL PLANNER™ professional

\*This letter is for informational purposes only and should not be considered tax or legal advice.