

# 2023 Retirement Plan Limits



The Internal Revenue Service (IRS) has released the 2023 cost-of-living adjustments (COLA) applicable to pension plan contribution limits. Also provided are the contribution, income, and deductibility limits for traditional IRA, Roth IRA, and Coverdell ESAs.

Lord Abbett believes the information in this flyer to be an accurate statement of current rules; however, prospective investors should consult their financial professional and/or tax advisor.

|  | 2023      | 2022      |
|--|-----------|-----------|
| 401(k) Salary (Elective) Deferrals – (IRC §402(g)(1)) <sup>1</sup>               | \$22,500  | \$20,500  |
| 401(k) Catch-Up Salary (Elective) Deferrals – (IRC §414(v)) <sup>2</sup>         | \$7,500   | \$6,500   |
| Highly Compensated Employee – (HCE) (IRC §414(q)(1)(B)) <sup>3</sup>             | \$150,000 | \$135,000 |
| Compensation – Key Employee Officer (IRC §416(i)(1)(A)(i)) <sup>4</sup>          | \$215,000 | \$200,000 |
| 403(b) Salary (Elective) Deferrals – (IRC §402(g)(1)) <sup>1</sup>               | \$22,500  | \$20,500  |
| 403(b) Catch-Up Salary (Elective) Deferrals – (IRC §414(v)) <sup>2</sup>         | \$7,500   | \$6,500   |
| 457 Nonqualified Deferred Compensation – (IRC §457(e)(15))                       | \$22,500  | \$20,500  |
| 457 Catch-Up Salary (Elective) Deferrals – (IRC §414(v))                         | \$7,500   | \$6,500   |
| SIMPLE IRA Salary (Elective) Deferrals – (IRC §402(g)(1))                        | \$15,500  | \$14,000  |
| SIMPLE IRA Catch-Up Salary (Elective) Deferrals – (IRC §414(v))                  | \$3,500   | \$3,000   |
| SEP Minimum Compensation – (IRC §408(k)(2)(c))                                   | \$750     | \$650     |
| SEP Compensation – (IRC §408(k)(3)(c))   | \$330,000 | \$305,000 |
| Annual Compensation Limit – (IRC §401(a)(17))                                    | \$330,000 | \$305,000 |
| Annual Defined Contribution Limit  | \$66,000  | \$61,000  |
| Annual Defined Benefit Limit – (IRC §415(b))                                     | \$265,000 | \$245,000 |
| Taxable Wage Base (Social Security)  | \$160,200 | \$147,000 |
| Federal Insurance Contribution Act (FICA) Tax – Employee & Employer              | 15.3%     | 15.3%     |
| Social Security Tax – Employee & Employer <sup>5</sup>                           | 12.4%     | 12.4%     |
| Medicare Tax – Employee & Employer <sup>6</sup>                                  | 2.9%      | 2.9%      |
| Self-Employment Contribution Act (SECA) – Self-Employed Individuals <sup>7</sup> | 15.3%     | 15.3%     |

## Saver's Tax Credit

The saver's credit is a nonrefundable federal income tax credit available to individuals with an adjusted gross income (AGI) of less than \$73,000. Salary-deferral contributions to a 401(k), 403(b), governmental 457(b), SIMPLE IRA, and SAR SEP can reduce an individual's AGI, creating Saver's Tax Credit eligibility. In addition, the credit is available for contributions to a traditional or Roth IRA. The maximum annual contribution eligible for the credit is \$2,000, and the maximum credit is 50%, making the maximum saver's credit \$1,000.

| 2023 Tax Credit              |                        |                     |                     |                         |
|------------------------------|------------------------|---------------------|---------------------|-------------------------|
| Tax Filing Status            | 50% of Contribution    | 20% of Contribution | 10% of Contribution | Not Eligible for Credit |
| Married filing jointly (AGI) | Not to exceed \$43,500 | \$43,501-47,500     | \$47,501-73,000     | Greater than \$73,000   |
| Head of household (AGI)      | Not to exceed \$32,625 | \$32,626-35,625     | \$35,626-54,750     | Greater than \$54,750   |
| Single (AGI)                 | Not to exceed \$21,750 | \$21,751-23,750     | \$23,751-36,500     | Greater than \$36,500   |

# Individual Retirement Accounts

| Traditional IRA                             | 2023    | 2022    |
|---|---------|---------|
| Traditional IRA contribution limit          | \$6,500 | \$6,000 |
| Traditional IRA catch-up contribution limit | \$1,000 | \$1,000 |

## Deductible Contribution Eligibility Income PhaseOut Ranges

| Tax Filing Status                           | 2023 Income       | 2022 Income       |
|---|-------------------|-------------------|
| Single (MAGI) <sup>8</sup>                  | \$73,000-83,000   | \$68,000-78,000   |
| Married filing jointly (MAGI) <sup>9</sup>  | \$116,000-136,000 | \$109,000-129,000 |
| Married filing jointly (MAGI) <sup>10</sup> | \$218,000-228,000 | \$204,000-214,000 |

Even if you and your spouse are not active participants in an employer-sponsored retirement plan for any part of a year, either of you would be eligible to make a fully deductible traditional IRA contribution irrespective of both your incomes, as long as it equals or exceeds a single or joint contribution.

| Roth IRA                             | 2023    | 2022    |
|--------------------------------------|---------|---------|
| Roth IRA contribution limit          | \$6,500 | \$6,000 |
| Roth IRA catch-up contribution limit | \$1,000 | \$1,000 |

| Tax Filing Status                               | 2023 Income PhaseOut | 2022 Income PhaseOut |
|---|----------------------|----------------------|
| Single (MAGI)                                   | \$138,000-153,000    | \$129,000-144,000    |
| Married filing jointly/Head of household (MAGI) | \$218,000-228,000    | \$204,000-214,000    |
| Married filing separately (MAGI)                | \$0-10,000           | \$0-10,000           |

| Coverdell Education Savings Account | 2023    | 2022    |
|-------------------------------------|---------|---------|
| Coverdell ESA contribution limit    | \$2,000 | \$2,000 |

## Coverdell ESA Income Limits

| Tax Filing Status             | Full Contribution | Partial Contribution | Not Eligible for Credit |
|-------------------------------|-------------------|----------------------|-------------------------|
| Single (MAGI)                 | Up to \$95,000    | \$95,001-110,000     | Greater than \$110,000  |
| Married filing jointly (MAGI) | Up to \$190,000   | \$190,001-220,000    | Greater than \$220,000  |

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<sup>1</sup> Salary deferral limit includes pretax and Roth aftertax contributions.

<sup>2</sup> "Catch-up" contribution is available for individuals age 50 or older. To be eligible, an individual needs to turn 50 by December 31 of the applicable year.

<sup>3</sup> An HCE is defined as any person who was a 5% owner at any time during the current or the preceding ("look-back") year, or who, for the "look-back" year, had compensation in excess of \$135,000. Some exceptions to compensation may apply within individual plans.

<sup>4</sup> A key employee is defined as any employee who, at any time during the plan year, is an officer, having annual compensation greater than \$215,000 in 2023, a 5% owner of the employer, or a 1% owner of the employer who receives annual compensation from the employer of more than \$150,000. The number of officers cannot exceed the lesser of 50 or 10% of the number of employees.

<sup>5</sup> The maximum amount of compensation subject to Social Security taxation is \$160,200 in 2023.

<sup>6</sup> An income cap does not apply to the Medicare tax.

<sup>7</sup> The self-employed individual is responsible for both halves of the self-employment tax.

<sup>8</sup> Deductibility of contributions is based on an individual receiving or making contributions through a work retirement plan.

<sup>9</sup> Deductibility of contributions is based on both spouses being covered by a work retirement plan.

<sup>10</sup> Deductibility of contributions is based on one spouse being covered by a work retirement plan.

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