

SECURE 2.0 Act Brings New 401(k) and IRA Opportunities in 2025



San Ramon, California Jan 9, 2025 ([Issuewire.com](https://www.issuewire.com)) - The IRS has released Notice 2024-80 to announce the cost-of-living adjustments for retirement plans that will take effect over the next few years, including some in 2025. This announcement is significant for those planning their retirement, as it outlines the new indexed dollar limits and highlights essential changes brought about by the SECURE 2.0 Act.

Prosperity Financial Group, a leading financial group based in California, explains key changes to help people plan their future according to the new adjustments.

Enhanced Catch-Up Contributions for Ages 60-63

On Friday, the IRS introduced new enhancements to catch-up contributions specifically for workers aged 60 to 63. For over two decades, employees aged 50 and older have been able to make extra contributions to their [401\(k\) plans](#) to boost their retirement savings. Starting in 2025, these enhanced 401(k) 2025 contribution limit IRS provisions will allow those aged 60 to 63 to save even more, providing a valuable opportunity to close any retirement savings gaps.

"Once you reach the age of 64, you are no longer eligible for catch-up contribution and are limited to the regular amount," said [Certified Financial Advisor Elliot Kallen](#) in California.

This means that individuals aged 65 and older will need to follow the standard catch-up rules and 2025 IRA contribution limits over 65.

Under the SECURE 2.0 Act, passed in 2022, this enhanced contribution limit allows eligible workers to contribute the greater of \$10,000 or 150% of the 2024 catch-up limit, adjusted for inflation. For 2025, that translates to \$11,250 on top of standard contributions amounting to at least \$34,250 for qualifying participants. And remember, this amount excludes any employer-matching contributions, creating even more potential for growth.

Higher Income Thresholds for IRAs

The IRS did not increase the contribution limits for individual retirement accounts, known as IRAs. The annual maximum 401(k) contribution for 2025 stays at \$7,000, with a catch-up contribution of \$1,000 for individuals aged 50 and over.

However, it did increase the modified adjusted gross income threshold that determines whether you're eligible to contribute to an IRA on a tax-advantaged basis.

Roth IRAs allow contributions to grow tax-free. Starting next year, singles will be eligible to contribute to a 2025 Roth IRA contribution limit if their modified adjusted gross income (AGI) does not exceed \$165,000, a slight increase from this year's limit of \$161,000. For married couples filing jointly, the threshold rises to \$246,000, up from \$240,000 in 2024.

These updated Roth IRA limits for 2025 will allow more individuals and families to take advantage of the tax-free growth offered by Roth IRAs, providing greater flexibility in retirement planning.

For traditional IRAs, where contributions may be tax-deductible and grow tax-deferred until withdrawal, the limits are also slightly adjusted. Singles covered by a workplace retirement plan can contribute if their MAGI does not exceed \$89,000 (up from \$87,000). For married couples filing jointly, if a workplace plan covers one spouse, the joint MAGI must be \$146,000 or less, an increase from \$143,000.

Automatic Portability for Job Changers

Starting in 2025, the SECURE 2.0 Act will make retirement savings easier for employees who frequently change jobs early in their careers. With new automatic portability provisions, employees can easily transfer retirement savings to their new employer's plan.

Currently, employers can cash out small balances of \$1,000 or less when an employee leaves the plan. Unfortunately for the employee, this is a taxable event and effectively restarts their retirement savings. Those with balances up to \$7,000, former plans can roll assets into a Safe Harbor IRA. Automatic portability will enable these funds to move directly to the new employer's plan, simplifying account management and helping employees preserve their retirement savings.

Saver's Credit income limit for 2025

In 2025, the Saver's Credit, also known as the Retirement Savings Contributions Credit, will benefit more Americans than updated income limits.

Americans with lower and middle incomes who contribute to a retirement plan can take advantage of the Saver's Credit, a valuable tax benefit that may help reduce their federal tax bill. Starting in 2025, the income limits for claiming this credit will increase, allowing more individuals to qualify.

Here are the updated thresholds:

- \$79,000 for married couples filing jointly (up from \$76,500)
- \$59,250 for heads of household (up from \$57,375)
- \$39,500 for single taxpayers and married individuals filing separately (up from \$38,250)

Transitional Relief for Beneficiaries Missing RMDs from Inherited IRAs, But Penalties Loom in 2025

Beneficiaries of inherited IRAs who missed Required Minimum Distributions (RMDs) from 2021 to 2024 can breathe a sigh of relief as transitional relief has been granted. The easing of rules provides much-needed support for those who may have overlooked their distribution requirements during this period.

However, it's important to prepare for the future: From 2025, beneficiaries who fail to comply with RMD requirements will face a 25% penalty on the amount that should have been withdrawn.

About Prosperity Financial Group

With these new IRS updates and SECURE 2.0 provisions, [retirement planning](#) is evolving to provide more flexibility and opportunities. Staying informed on contribution limits, income thresholds, and plan portability options can help you make the most of these changes and enhance your financial future.

Visit Prosperity Financial Group today to learn more about SECURE 2.0 updates and how we can help you maximize your retirement savings for a secure future.



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