Good News: IRS Updates Bring Exciting Changes for Retirement

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The IRS has good news for those looking to take maximum advantage of their retirement savings accounts. Beginning this year, individuals can contribute additional money to their nest eggs as the IRS has increased annual contribution limits on retirement savings accounts, such as 401(k)s and IRAs.

The IRS places limits on the amount of money individuals can contribute to certain types of retirement accounts. These limits are in place to ensure that retirement savings are spread out among a wide range of individuals rather than concentrated among a small group of high-income earners.

New in 2023, the IRS has announced updated contribution limits that will bring exciting changes for individuals working to save for retirement. These updates will allow individuals to contribute more to their retirement accounts and will provide a significant boost to their long-term financial security.

Here is what you need to know about this year's IRS contribution updates:

Higher 401(k) contribution limits.

Contributing to an employer-sponsored 401(k) plan is a great way to set yourself up with a nice nest egg for retirement. Plus, the more money you put into a traditional 401(k), the more income you get to shield from the IRS for tax purposes.

Beginning this year, the maximum 401(k) plan contribution limits have increased from $20,500 for workers under age 50 and $27,000 for those 50 and older. The new maximum contribution amount is $22,500 for workers under 50 and $30,000 for those 50 and older. Note that if your employer offers a 401(k) match, aim to set aside at least enough to get that match, and remember that the money your company puts into your account will not count toward these limits.

This contribution increase is especially beneficial for those nearing retirement age or looking to catch up on their retirement savings goals.

FUB Tip: *Do you have a retirement plan? The best way to ensure you can retire comfortably is to have a plan and start saving as early as possible. Learn how to get started >* ***Planning for Retirement 101 | First United Bank***.

Higher IRA contribution limits.

If you do not have access to an employer-sponsored 401(k) plan, you can save for retirement in an Individual Retirement Account (IRA). An IRA is an account set up at a financial institution that allows an individual to save for retirement with tax-free growth or on a tax-deferred basis. The most common types are Traditional and Roth IRAs. These typically provide individuals even more retirement savings options.

This year, the maximum IRA contribution limit has increased by $500, from $6,000 for workers under 50 and $7,000 for those 50 and over to $6,500 for workers under 50 and $7,500 for those 50 and over. This increase is especially beneficial for those who are self-employed, employed by a small business, or have a smaller salary.

Catch-up contributions for 401(k)s for individuals age 50 and older also increased to $7,500, but not for IRAs - those remain at $1,000.

FUB Tip: *Let First United help reduce the uncertainties associated with retirement. Visit us at* ***First United Bank*** *to learn about 401(k) and IRA planning.*

Stay informed.

It is essential for individuals to be aware of these limits and to plan accordingly when making contributions to their retirement accounts. By staying within these limits, individuals can ensure that they maximize their retirement savings and take full advantage of the tax benefits associated with these accounts.

It is also important to consult with a financial advisor or tax professional to ensure that you understand the contribution limits and how they apply to your specific financial situation.

To learn more about these limit increases, visit the IRS's website at **www.irs.gov**.

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