



Inflation Causes IRS to Raise 2023 Contribution Limits for 401(k)s, IRAs

THE WALL STREET
JOURNAL

By Ashlea Ebeling
Oct. 21, 2022

Millions of Americans can save more in tax-advantaged retirement accounts next year, after inflation adjustments made Friday by the Internal Revenue Service.



The Internal Revenue Service says employee contribution limit for 401(k) will jump \$2,000 to \$22,500 for 2023, the largest increase ever./Photo by Ting Shen for The Wall Street Journal

The employee contribution limit for 401(k) and similar workplace plans will jump \$2,000 to \$22,500 for 2023, the largest increase ever in terms of dollars and percentage, according to benefits provider Milliman.

The amount taxpayers can contribute to an individual retirement account will be \$6,500 for 2023, up from \$6,000. The limit hasn't changed since 2019.

The 401(k) catch-up contribution amount allowed if you're 50 or older will rise \$1,000 to \$7,500 for 2023. The catch-up contribution limit for individual retirement accounts, which isn't subject to inflation adjustments, remains at \$1,000.

For workers at companies that allow special after-tax contributions, and self-employed folks who have individual 401(k)s or SEP retirement plans, there is a total \$66,000 plan contribution limit for 2023, up \$5,000 from this year. That includes employee and employer contributions. With catch-up contributions on top, older savers can contribute up to \$73,500 in 2023 to these plans.

The retirement news follows Tuesday's announcement of adjustments to income tax brackets and dozens of other parameters, including the estate and gift tax exclusion, made annually under formulas set by Congress.

Write to Ashlea Ebeling at ashlea.ebeling@wsj.com

Dow Jones & Company, Inc.



DiMatteo Group Financial Services, CFP®, CPFA, AIF®
DiMatteo Team
DiMatteo Group Financial Services

[203-924-5420](tel:203-924-5420)
info@dimatteofinancial.com
www.dimatteofinancial.com

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