

# RETIREMENT PLAN SPOTLIGHT



## Cost-of-Living Adjustments (COLA) for 2025

The Internal Revenue Service has announced the cost-of-living adjustments effective January 1, 2025, applicable to retirement plans and other employer related plans (as explained below). In accordance with legislative guidelines, these limitations are adjusted annually to reflect changes in the cost-of-living index. The guidelines are similar to those used to adjust Social Security benefits.

Below is a summary of the cost-of-living adjustments made to the dollar limitations applicable to retirement plans for the 2025 tax year:

**\$23,500**

**401(k)/403(b)/457(b) Plans.** The maximum annual elective salary deferral and designated Roth contribution under a 401(k), 403(b), or 457(b) plan is increased from \$23,000 to \$23,500.

**\$7,500**

**Catch-up Contributions.** 401(k), 403(b), and governmental 457(b) plans may permit participants who are age 50 or older by the end of 2025 to make annual catch-up contributions. Catch-up contributions are generally not subject to limitations on the maximum annual elective deferral or other plan limits. The maximum catch-up contribution remains at \$7,500.

**\$11,250**

**Age 60-63 Catch-up Contributions.** The limitation under § 414(v)(2)(E)(i) for catch-up contributions to an applicable employer plan other than a plan described in § 401(k)(11) or § 408(p) that applies for individuals who attain age 60, 61, 62, or 63 in 2025 is \$11,250.

**\$70,000**

**Defined Contribution Plans.** The dollar limit on annual additions under § 415(c)(1)(A) (i.e., all contributions and forfeitures) for participants in defined contribution plans is increased from \$69,000 to \$70,000. The annual addition limitation for 2025 is the lesser of 100% of an individual's compensation or \$70,000.<sup>1</sup>

**\$350,000**

**Qualified Plan Maximum Compensation Limit.** The limit on compensation for purposes of calculating contributions and benefits under qualified retirement plans is increased from \$345,000 to \$350,000.

**\$280,000**

**Defined Benefit Plans.** The maximum annual benefit under a defined benefit pension plan under § 415(b)(1)(A) is increased from \$275,000 to \$280,000. For participants who separated from service prior to January 1, 2025, the limitation for defined benefit plans under § 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2024, by 1.0262.

**\$160,000**

**Highly Compensated Employees.** The highly compensated employee (HCE) threshold is increased from \$155,000 to \$160,000. To determine the HCE group for nondiscrimination testing, total compensation during the 12-month period preceding the current plan year (the "look-back" year) is used. Total compensation paid to an employee for the look-back year is measured against the HCE threshold in effect for the look-back year. Accordingly, the \$160,000 threshold will apply when 2025 is the look-back year.

**\$230,000**

**Key Employee in Top-Heavy Plans.** In determining whether an officer is a "key employee" for top-heavy purposes, the dollar limit is increased from \$220,000 to \$230,000.

**\$176,100**

**Social Security Taxable Wage Base.** The Social Security Administration announced that the taxable wage base increased from \$168,600 to \$176,100 for 2025.

**\$280,000**

**Employee Stock Ownership Plans.** The dollar amount under § 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a five-year distribution period is increased from \$1,380,000 to \$1,415,000. The dollar amount used to determine the lengthening of the five-year distribution period is increased from \$275,000 to \$280,000.

**\$10,300**

**Distributions to Victims of Domestic Violence Abuse.** The limitation under § 72(t)(2)(K)(ii)(I) for eligible distributions to victims of domestic violence abuse from applicable eligible retirement plans is increased from \$10,000 to \$10,300.

**\$145,000**

**Roth wage Catch-up Threshold.** The Roth catch-up wage threshold for 2024, which under § 414(v)(7)(A) is used to determine whether an individual's catch-up contributions to an applicable employer plan (other than a plan described in § 408(k) or (p) for 2025 must be designated Roth contributions remains at \$145,000.<sup>2</sup>

**\$2,500**

**Pension-Linked Emergency Savings Accounts.** The limitation under § 402A(e)(3)(A)(i) concerning pension-linked emergency savings accounts that may be included in certain types of defined contribution plans remains \$2,500.

## IRS & Social Security Limits and Thresholds on Benefits & Compensation

	2025	2024	2023	2022	2021	2020	2019	2018
Defined contribution 401(k)/403(b)/457(b) plan maximum elective deferrals	<b>\$23,500</b>	\$23,000	\$22,500	\$20,500	\$19,500	\$19,500	\$19,000	\$18,500
Catch-up contribution limit 401(k)/403(b)/govt. 457(b) plans [§ 414(v)(2)]	<b>\$7,500</b>	\$7,500	\$7,500	\$6,500	\$6,500	\$6,500	\$6,000	\$6,000
Defined contribution maximum annual addition <sup>1</sup> [§ 415(c)(1)(A)]	<b>\$70,000</b>	\$69,000	\$66,000	\$61,000	\$58,000	\$57,000	\$56,000	\$55,000
Qualified plan maximum compensation limit	<b>\$350,000</b>	\$345,000	\$330,000	\$305,000	\$290,000	\$285,000	\$280,000	\$275,000
Defined benefit maximum annual pension [§ 415(b)(1)(A)]	<b>\$280,000</b>	\$275,000	\$265,000	\$245,000	\$230,000	\$230,000	\$225,000	\$220,000
Highly compensated employee threshold	<b>\$160,000</b>	\$155,000	\$150,000	\$135,000	\$130,000	\$130,000	\$125,000	\$120,000
Key employee-officer compensation threshold for top-heavy plans	<b>\$230,000</b>	\$220,000	\$215,000	\$200,000	\$185,000	\$185,000	\$180,000	\$175,000
Social Security taxable wage base	<b>\$176,100</b>	\$168,600	\$160,200	\$147,000	\$142,800	\$137,700	\$132,900	\$128,400
ESOP Limits [§ 409(o)(1)(C)(ii)]	<b>\$1,415,000</b> <b>\$280,000</b>	\$1,380,000 \$275,000	\$1,330,000 \$265,000	\$1,230,000 \$245,000	\$1,165,000 \$230,000	\$1,150,000 \$230,000	\$1,130,000 \$225,000	\$1,105,000 \$220,000
Catch-up contributions (age 60,61,62,63)[§ 414(v)(2)(E)(i)]	<b>\$11,250</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Distributions to victims of domestic violence abuse	<b>\$10,300</b>	\$10,000	N/A	N/A	N/A	N/A	N/A	N/A
Pension-linked emergency savings accounts	<b>\$2,500</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Roth catch-up wage threshold <sup>2</sup>	<b>\$145,000</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A

<sup>1</sup> Limit not applicable to catch-up contributions.

<sup>2</sup> Under IRS Notice 2023-62, the requirement for higher wage earners to make Roth Catch-up Contributions has been delayed until taxable years beginning after December 31, 2025.

## Retirement Resources for You

The USI Consulting Group (USICG) team is happy to assist employers with all retirement plan matters and guidelines, including those discussed here.

**Questions?** Contact your USICG representative, visit our [Contact Us](#) page or reach out to us directly at [information@usicg.com](mailto:information@usicg.com).

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