



# Memorandum

Date: November 6th, 2023

To: Joseph Rinaldi, President & CIO

From: Michael Huber, Senior Advisor / Junyuan Chen, Graduate Intern

**Re: Retirement Plan Limits / Funding Plan Deadlines**

Yesterday, the IRS announced retirement plan limits for 2024 ([Notice 2023-75](#)). Below are those limits, along with some other information that you might find useful. Please let me know if there's anything we can do to help with your clients' retirement savings programs as year-end nears.

## 2024 Retirement Plan Limits

	2022	2023	2024
Salary deferral contribution limit 401(k) and 403(b)	\$20,500	\$22,500	\$23,000
Catch-up contribution limit (401(k) and 403(b))	\$6,500	\$7,500	\$7,500
Defined contribution plan total contribution limit	\$61,000	\$66,000	\$69,000
Retirement plan compensation limit	\$305,000	\$330,000	\$345,000
Highly compensated employee (HCE) compensation	\$135,000	\$150,000	\$155,000
IRA contribution limit	\$6,000	\$6,500	\$7,000
IRA catch-up contribution limit	\$1,000	\$1,000	\$1,000
SIMPLE IRA salary deferral contribution limit	\$14,000	\$15,500	\$16,000
SIMPLE IRA catch-up contribution limit	\$3,000	\$3,500	\$3,500
Social Security Taxable Wage Base	\$147,000	\$160,200	\$168,600



### From a SIMPLE IRA to a 401(k) Plan

Prior to 2024, an employer with a SIMPLE IRA cannot switch to a 401(k) plan mid-year, but can only do so as of the next January 1<sup>st</sup>. SECURE Act 2.0 changed that law starting in 2024 so that an employer can switch from a SIMPLE IRA to a 401(k) plan mid-year provided the following conditions are satisfied:

1. The new 401(k) plan must be “safe harbor” and make a safe harbor employer contribution,
2. The SIMPLE IRA plan’s termination date must be the same as the 401(k) plan’s effective date,
3. The new 401(k) plan must be effective no later than October 1<sup>st</sup> of its initial year, and
4. A SIMPLE IRA plan termination notice must be given to employees at least 60 days prior to the SIMPLE IRA plan termination date (this requirement was omitted from the new legislation but will very likely still apply).

### The deadline to establish a new defined benefit/cash balance plan is no longer December 31<sup>st</sup>

During Q4 each year I’m often asked about the deadline for a business owner to establish a cash balance plan. Note the following from my piece *Frequently Asked Questions about Cash Balance Plans* [here](https://www.trpcweb.com/cash-balance-plans-faq/):(https://www.trpcweb.com/cash-balance-plans-faq/)

#### **What is the deadline to establish a new cash balance plan?**

Prior to 2020, a new cash balance plan was required to be adopted by the last day of the plan’s initial year. Starting in 2020, the SECURE Act made it so that business owners can adopt a cash balance plan right up until the entity’s tax filing deadline (including extensions) for the plan’s initial year. It typically takes several weeks to prepare the plan documents, set up the plan’s Trust account, calculate Year 1 contributions, and fund Year 1 contributions to the Trust account by the entity’s tax filing deadline, so for practical purposes it is recommended that business owners start working with an actuarial services firm at least two months prior to the entity’s tax filing deadline for the plan’s initial year.

For more information, reach out to QFA Senior Advisor Michael Huber at 301-296-6203 or by email [customerservice@qfainc.com](mailto:customerservice@qfainc.com)