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**Your Small-Town Doctor of Financial Planning Says:**

### **Stay Abreast of Latest Key Retirement and Tax Numbers**

As we're approaching the deadline for filing income tax returns for 2023, this is an appropriate time to make sure you are using the up-to-date 2024 numbers for your 2024 tax planning. Every year, the government updates key numbers for inflation. These include contribution limits for tax-advantaged accounts and amounts for various tax deductions, exclusions, exemptions, and thresholds. We summarize some of these key changes below.

#### **IRAs**

The combined annual limit on contributions to traditional and Roth IRAs is \$7,000 in 2024 (increased from \$6,500 in 2023). Individuals aged 50 or older are able to contribute an additional \$1,000 (unchanged). The limit on contributions to a Roth IRA phases out for certain modified adjusted gross income (MAGI) ranges. For individuals who are active participants in an employer-sponsored retirement plan, the deduction for contributions to a traditional IRA is also phased out for certain MAGI ranges. The limit on nondeductible contributions to a traditional IRA is not subject to phaseout. (See table below.)

| <b>Individual Retirement Accounts</b> |                           |                        |   |
|---------------------------------------|---------------------------|------------------------|---|
| <b>IRA type</b>                       | <b>Contribution limit</b> | <b>Catch-up at 50+</b> | <b>Income limits</b>  |
| Traditional nondeductible             | \$7,000                   | \$1,000                | None  |
| Traditional deductible                | \$7,000                   | \$1,000                | If covered by a plan:<br>\$123,000 - \$143,000 joint<br>\$77,000 - \$87,000 single, HOH<br>0 - \$10,000 married filing separately<br>If one spouse is covered by a plan:<br>\$230,000 - \$240,000 joint |
| Roth                                  | \$7,000                   | \$1,000                | \$230,000 - \$240,000 joint<br>\$146,000 - \$161,000 single & HOH<br>0 - \$10,000 married filing separately   |
| Roth conversion                       |                           |                        | No income limit   |

Source: Horseshmouth, LLC

#### **Employer-Sponsored Retirement Plans**

Employees who participate in 401(k), 403(b), and most 457 plans can defer up to \$23,000 in compensation in 2024 (\$22,500 in 2023). Employees aged 50 or older can defer up to an additional \$7,500 in 2024 (the same as in 2023).

Employees participating in a SIMPLE retirement plan can defer up to \$16,000 in 2024 (\$15,500 in 2023), and employees aged 50 or older can defer up to an additional \$3,500 in 2024 (unchanged). (See table below.)

| <b>Retirement Plan Contribution Limits</b>  |           |
|---|-----------|
| Annual compensation used to determine contribution for most plans                         | \$345,000 |
| Defined-contribution plans, basic limit   | \$69,000  |
| Defined-benefit plans, basic limit  | \$275,000 |
| 401(k), 403(b), 457(b), Roth 401(k) plans elective deferrals                              | \$23,000  |
| Catch-up provision for individuals 50 and over, 401(k), 403(b), 457(b), Roth 401(k) plans | \$7,500   |
| SIMPLE plans, elective deferral limit   | \$16,000  |
| SIMPLE plans, catch-up contribution for individuals 50 and over                           | \$3,500   |

Source: Horseshmouth, LLC

### **Health Savings Accounts**

Health Savings Accounts, or “HSAs” are tax advantaged vehicles used to save for health care expenses. They are available with high deductible health insurance plans. In 2024, an individual can contribute up to \$4,150 (\$3,850 for 2023), and families can contribute up to \$8,300 (\$7,750 for 2023). If you are 55 or older, you can contribute an additional \$1,000 (the same as 2023).

### **Estate, Gift, And Generation Skipping Transfer Tax**

The annual gift tax exclusion (and annual generation-skipping transfer tax exclusion) for 2024 is \$18,000, (\$17,000 in 2023). The gift and estate tax basic exclusion amount (and generation-skipping transfer tax exemption) for 2024 is \$13,610,000 (\$12,920,000 in 2023).

### **Standard Deduction**

A taxpayer can generally choose to itemize certain deductions or claim a standard deduction on the federal income tax return. In 2024, the standard deduction is:

- \$14,600 (\$13,850 in 2023) for single filers or married individuals filing separate returns;
- \$29,200 (\$27,700 in 2023) for married joint filers;
- \$21,900 (\$20,800 in 2023) for heads of households.

The additional standard deduction amount for the blind and those age 65 or older in 2024 is:

- \$1,950 (\$1,850 in 2023) for single filers and heads of households;
- \$1,550 (\$1,500 in 2023) for all other filing statuses.

Special rules apply for an individual who can be claimed as a dependent by another taxpayer.

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