Invesco

Facts at a glance

Retirement and Tax Planning Guide for 2025 and 2024

Contents

This brochure is for general purpose use and has been updated to reflect certain provisions of the Setting Every Community Up for Retirement Enhancement Act of 2022 (SECURE 2.0), which are denoted with an asterisk (*). Please consult a professional financial or tax professional before taking action.

Retirement limits summary

	2025	2024	Funding deadline
Traditional and Roth Individual Retirement Accounts (IRA)			
IRA contribution maximum	$7,000	$7,000	Tax filing deadline for prior year's contribution
IRA catch-up contribution at age 50[1]	$1,000	$1,000	Tax filing deadline for prior year's contribution
Simplified Employee Pension (SEP IRA)			
Maximum employer contribution for participant	$70,000	$69,000	Employer tax filing deadline + extension
Savings Incentive Match Plan for Employees (SIMPLE)			
25 and fewer employees*			
Participant contribution maximum (COLA)	$17,600	$17,600	Within 7 business days of payroll
Participant catch-up contribution at age 50[1, 2]	$3,850	$3,850	Within 7 business days of payroll
Participant catch-up contribution at 60-63*[1, 3]	$5,250	N/A	Within 7 business days of payroll
Employer contribution: match or non-elective	Mandatory	Mandatory	Employer tax filing deadline + extension
26 and greater employees*			
Participant contribution maximum (COLA)	$16,500	$16,000	Within 7 business days of payroll
Participant catch-up contribution at age 50[1, 2]	$3,500	$3,500	Within 7 business days of payroll
Participant catch-up contribution at 60-63*[1, 3]	$5,250	N/A	Within 7 business days of payroll
Employer contribution: match or non-elective	Mandatory	Mandatory	Employer tax filing deadline + extension
Special contributions*			
Increased participant deferral contribution (permitted if match is 4% or non-elective 3%)*	Conditional $17,600	Conditional $17,600	Within 7 business days of payroll
Enhanced participant catch-up contribution at age 50 (permitted if match is 4% or non-elective 3%)*[1, 2]	Conditional $3,850	Conditional $3,850	Within 7 business days of payroll
Additional employer non-elective contribution*[4]	Optional $5,100	Optional $5,000	Tax filing deadline + extension
401(k), 403(b)[5], 457(b), Profit-sharing Plans, etc.			
Overall contribution maximum[6, 7]	$70,000	$69,000	Employer tax filing deadline + extension
Participant contribution maximum	$23,500	$23,000	Within 7 business days of payroll
Participant catch-up contribution at age 50-59, 64+[1, 2]	$7,500	$7,500	Within 7 business days of payroll
Participant age 60-63*[1, 3]	$11,250	N/A	Within 7 business days of payroll
Other			
Maximum eligible employee compensation	$350,000	$345,000	
Definition of key employee	$230,000	$220,000	
Definition of highly compensated employee	$160,000	$155,000	
Defined benefit limits	$280,000	$275,000	
Social Security taxable wage base	$176,100	$168,600	

* SECURE 2.0 plan provision. Some provisions are mandatory while other may be optional. Please consult with your service provider to determine which features are available.

1. The catch-up contributions are in addition to the participant contribution amounts indicated.
2. Contributions can begin, January 1 of the year the participant turns age 50.
3. Beginning January 1, 2025, participants ages 60-63 may make a higher catch-up contribution up to the amount indicated. Contributions may begin January 1 of the year the participant turns 60 and must cease by December 31 of the year they turn 63.
4. Additional employer contribution up to 10% of compensation of each eligible employee not to exceed the applicable COLA limit.
5. 403(b) plan participants with 15 or more full years of service with Pan eligible employer may be permitted to make special catch-up contributions of up to $3,000 over the elective deferral limit. The maximum lifetime amount is $15,000 over five years. Age 50 catch-up contributions count against the $15,000 cumulative limit.
6. Employee and/or employer contributions are limited to the amount indicated (catch-up contributions not included).
7. Employee deferrals is the lesser of the amount indicated or 100% of compensation. Amounts indicated do not include catch-up contributions.

Small business/employer retirement plans

All rules related to the establishment or maintenance of each plan type are not included in this summary. Additional rules may also apply if an employer maintains multiple plans. Please consult your legal professional and/or plan provider for additional information to determine suitability and availability by your retirement plan provider. Invesco representatives do not provide investment or tax advice.

Refer to the prior page for retirement contribution limits. Funding deadlines may differ for start-ups. Please consult with your service provider.

Type of plan	Key features	Who can establish
SEP IRA	• Minimal paperwork and reporting. • Employer contributions are discretionary. • Employees may designate plan contributions as Roth contributions.*,[1] • Deductible employer contributions are made directly to employees' IRAs. • All contributions are 100% vested immediately.	• Self-employed persons, partnerships, corporations, and nonprofit groups.
SIMPLE IRA	• Inexpensive 401(k)-type plan for smaller employers. • No 401(k)-type discrimination testing. • Employees can make pretax (or Roth*,[1]) elective deferrals. • Employees may designate employer contributions as Roth.*,[1] • Deductible (or Roth*) employer contributions are made directly to employees' IRAs. • Employer contributions are mandatory. • All contributions are 100% vested immediately. • Contribution amounts vary if the employer has 25 and fewer employees or 26 or more eligible employees.*	• Self-employed persons, partnerships, corporations, nonprofit groups, tax-exempt institutions, and government entities. • The employer must generally have 100 or fewer employees who earned $5,000 or more in compensation in the preceding year. • Generally, the employer may not maintain another plan. • Employers must provide a 60-day notice prior to establishing a plan.
Solo 401(k)	• Business owner may make pretax elective deferrals. • Business owner may make Roth contributions (after-tax deferrals) if permitted by the plan. • Business owner contribution requirements are set in the plan document. Contributions may be discretionary. • Business owner may designate business (profit-sharing) contributions as Roth contributions.* • Participant loans are available if permitted by the plan.	• Business owners[2] (and their spouses) with no employees.
401(k)	• Employees may make pretax elective deferrals. • Employees may make Roth contributions (after tax). • Employer matching and profit-sharing contributions may be discretionary if permitted by the plan. • Employees may designate employer contributions as Roth contributions.* • Participant loans are available if permitted by the plan. • Vesting schedule on employer contributions is determined by the employer. • Due to discrimination testing and tax reporting requirements, administrative services are necessary. • Mandatory auto enrollment required for plans with 11 or more employees.*,[3]	• Partnerships, corporations, and nonprofit groups (no governmental entities).

* SECURE 2.0 plan provision. Some provisions are mandatory while other may be optional. Please consult with your service provider to determine which features are available.

1. Optional plan feature. Must be offered by the plan provider.
2. Solo 401(k) plan business owners can be defined as one individual (or the individual and his/her spouse) who owns 100% of the business or one or more partners (or partners and their spouses).
3. Effective for January 1, 2025 for new plans established after December 29, 2022. Small business employers with less than 10 employees, church plans and governmental plans are excluded.

Small business/employer retirement plans (continued)

Type of plan	Key features	Who can establish
Safe Harbor 401(k) and Super Comparability 401(k)	• Safe harbor 401(k) permits employers to choose either a 3% non-elective contribution or a 4% match on a 5% deferral. • Employer contribution must be made each year to maintain safe harbor provisions. • Plans may allow employees to designate employer contributions as Roth contributions.* • Super comparability 401(k) combines the features of a new comparability plan (see below) with 401(k) safe harbor provisions. • No 401(k)-type discrimination testing for either plan. • Participant loans are available if permitted by the plan. • Due to the complexity of the contribution calculation, retirement plan administrative services are necessary.	• Partnerships, corporations, and nonprofit groups (no government entities). • Employers must provide a 30-day notice before establishing the plan.
Profit-Sharing, Age Weighted and New Comparability	• Profit-sharing contribution requirements are set in the plan document. Contributions may be discretionary. • Age-weighted formula is determined by the age of employees. • New comparability formula groups employees into categories and then bases the formula on each group as governed by nondiscrimination regulations. • Employers may add a 401(k) salary deferral feature for all plans. • Participant loans are available for all if permitted by the plan. • Vesting schedule is determined by the employer for all plans. • Due to the complexity of the contribution calculation and nondiscrimination testing, retirement plan administrative services are necessary.	• Self-employed persons, partnerships, corporations, and nonprofit groups.
403(b)(7) ERISA/ Non-ERISA	• Participants can make pretax salary deferral contributions. • Participants can make Roth contributions (after tax) if permitted by the plan. • Participant loans are available if permitted by the plan. • Employer contributions are allowed if included in the plan.[2] • Employees may designate employer contributions as Roth contributions.* • Mandatory auto enrollment required for plans with 11 or more employees.*,[3]	• Public schools for grades K-12, colleges and universities; churches/church-related organizations, hospitals, and other 501(c)(3) tax-exempt organizations.
Governmental 457(b)	• Employees make salary reduction contributions or employer contributes. • Participant loans are available.[2] • No 10% penalty for early withdrawal upon retirement or termination of employment before age 59½ (except for amounts attributable to rollovers from other plans). • May cover part-time employees and independent contractors who perform services for the employer in addition to full-time employees. • Participants can make Roth contributions (after tax).[2]	• State and local governments or tax-exempt organizations under IRC 501(c).

* SECURE 2.0 plan provision. Some provisions are mandatory while other may be optional. Please consult with your service provider to determine which features are available.

1. Optional plan feature. Must be offered by the plan provider.
2. Employer contributions made by nongovernmental 501(c)(3) employers will likely make the plan subject to the Employee Retirement Income Security Act of 1974. (ERISA).
3. Effective for January 1, 2025 for new plans established after December 29, 2022. Small business employers with less than 10 employees, church plans and governmental plans are excluded.

Rollover and transfer rules

Plan type	What distributions can be rolled over/ transferred	What distributions cannot be rolled over/ transferred	Rollover options		
			Direct rollover	Indirect rollover	Partial rollover
Qualified/ 403(b)/ Govern-mental 457(b)	• Any eligible distribution that is not described at right.[1] **Contract exchange** • If permitted under the plan, 403(b) participants can move assets from one approved investment provider to another within the same plan. **Plan-to-plan transfers** • If permitted by the initial and receiving plans, assets can move between 403(b) plans.	• RMDs. • Corrective distributions of excess contributions or deferrals. • Hardship distributions. • Loans treated as distributions. • Distributions that are part of a series of substantially equal payments made at least annually over a lifetime or a period of 10 years or more. • Dividends on employer securities. • The cost of life insurance coverage.	• Trustee-to-trustee transfer to an eligible plan or IRA. • Generally, no tax or penalty in the year of the rollover. There are, however, tax implications if pre-tax savings are rolled over (i.e., converted) to a Roth IRA or designated Roth account.	• The plan must withhold 20% for federal income taxes, and the participant receives the net amount. • To avoid tax and a potential 10% early distribution penalty, the participant must deposit the full distribution (including the 20%) in an eligible plan or IRA generally within 60 days.	• A portion of the distribution is transferred or rolled over, and the participant keeps the remainder. • The amount not transferred or rolled over is typically subject to tax and possibly a 10% early withdrawal penalty.
Traditional IRA/SEP/ SIMPLE IRA[2]	• IRA owners and spouse beneficiaries are typically eligible to roll over one IRA distribution to another IRA within a 12-month period. • IRA owners may roll over pre-tax savings from an IRA to qualified employer plan provided the employer plan permits rollover contributions. • Distributions must typically be rolled over within 60 days unless the IRA owner (or spouse beneficiary) qualifies for an extension. • Nonspouse beneficiaries who inherit IRAs may directly transfer an Inherited IRA to another Inherited IRA.	• Amounts representing after-tax contributions cannot be rolled into a qualified/403(b)/ Governmental 457(b) plan. • RMDs. • Corrective distributions of excess contributions. • Distributions that are part of a series of substantially equal periodic payments under Section 72(t) of the Internal Revenue Code. • An IRA owner (or spouse beneficiary) is prohibited from rolling over an IRA distribution if they have rolled over another IRA distribution from any IRA within the prior 12 months. • Distributions from Inherited IRAs to nonspouse beneficiaries cannot be rolled over. • Rollovers and transfers in/ out of SIMPLE IRAs are prohibited until after the individual has been a participant in the employer's SIMPLE IRA plan for at least two years.	• Generally, no tax or penalty in the year of the IRA-to-IRA transfer or IRA-to employer plan direct rollover. There are, however, tax implications when pre-tax savings are converted to a Roth IRA.	• The IRA owner (or spouse beneficiary) receives the distri-bution and deposits it in an eligible plan or IRA generally within 60 days. • No tax or penalty in the year of the rollover (unless pre-tax savings are converted to a Roth IRA).	• A portion of the distribution is rolled over, and the IRA owner (or spouse beneficiary) keeps the remainder. • The amount not rolled over is generally subject to tax and possibly a 10% early withdrawal penalty.
Roth IRA	• Roth IRA owners and spouse beneficiaries are typically eligible to roll over one Roth IRA distribution to another IRA within a 12-month period. There are no limitations on Roth IRA-to-Roth IRA transfers. • Distributions must typically be rolled over within 60 days unless the IRA owner (or spouse beneficiary) qualifies for an extension. • Nonspouse beneficiaries who inherit Roth IRAs may directly transfer an Inherited Roth IRA to another Inherited Roth IRA.	• A Roth IRA owner (or spouse beneficiary) is prohibited from rolling over a Roth IRA distribution if they have rolled over another IRA distribution from any IRA within the prior 12 months. • Roth IRA distributions may not be rolled over to a qualified employer-sponsored plan (e.g., 401(k), 403(b), etc.). • Distributions from Inherited Roth IRAs to nonspouse beneficiaries cannot be rolled over.	• No tax or penalty for direct Roth IRA-to-Roth IRA transfers. • The five-year period used to determine qualified distributions doesn't change.	• The Roth IRA owner receives the distri-bution and deposits it in a Roth IRA generally 60 days. • No tax or penalty in the year of the rollover. • The five-year period used to determine qualified distributions doesn't change.	• A portion of the distribution is rolled over to another Roth IRA, and the Roth IRA owner (or spouse beneficiary) keeps the remainder. • If not withdrawn as part of a qualified distribution, any amount representing Roth IRA earnings that is not rolled over must be included in taxable income and may be subject to a 10% early withdrawal penalty.

1. A distribution to a non-spouse designated beneficiary of a deceased employee will be treated as an eligible rollover distribution only if it is directly rolled over to an Inherited traditional or Roth IRA established to receive the distribution.
2. The early distribution penalty is 25% (instead of 10% during the first two years of SIMPLE IRA participation).

Rollover and transfer rules (continued)

Rollovers: Moving Money Between Plans

	Roll to							
Roll from	**Roth IRA**	**Traditional IRA**	**SIMPLE IRA (after 2 years)**	**SEP**	**457(b) (government)**	**Qualified Plan[1] (pretax)**	**403(b) (pretax)**	**Designated Roth Account (401(k), 403(b), or 457(b))**
Roth IRA	Yes[2]	No	No	No	No	No	No	No
Traditional IRA	Yes[3]	Yes[2]	Yes[2,7]	Yes[2]	Yes[4]	Yes	Yes	No
SIMPLE IRA (after 2 years)	Yes[3]	Yes[2]	Yes[2] (no 2 year rule)	Yes[2]	Yes[4]	Yes	Yes	No
SEP	Yes[3]	Yes[2]	Yes[2,7]	Yes[2]	Yes[4]	Yes	Yes	No
457(b) (Government)	Yes[3]	Yes	Yes[7]	Yes	Yes	Yes	Yes	Yes[3,5]
Qualified Plan[1] (pretax)	Yes[3]	Yes	Yes[7]	Yes	Yes[4]	Yes	Yes	Yes[3,5]
403(b) (pretax)	Yes[3]	Yes	Yes[7]	Yes	Yes[4]	Yes	Yes	Yes[3,5]
Designated Roth Account (401(k), 403(b), or 457(b))	Yes	No	No	No	No	No	No	Yes[6]

Source: Publication 590-A.

1. Qualified plans include, for example, profit-sharing, 401(k), money purchase and defined benefits plans.
2. Only one rollover in any 12-month period.
3. Must include in income.
4. Must have separate accounts.
5. Must be an in-plan rollover.
6. Any nontaxable amounts distributed must be rolled over by direct trustee-to-trustee transfer.
7. Applies to rollover contributions after December 18, 2015.

Retirement plan distribution rules

Retirement plan distributions

	Under 59½ years of age	Age 59½ but before age 73[1]	Age 73 and later years*[,1]
Traditional IRA/SEP/SIMPLE IRA			
Tax implications	• Taxed as ordinary income.[2]	• Taxed as ordinary income.[2]	• Taxed as ordinary income.[2]
Withdrawal penalties	• 10% penalty on taxable portion of distribution unless a penalty exception applies. With a SIMPLE IRA, the penalty for early withdrawal is 25% during the first two years of plan participation.	• None.	• Failure to take any year's full required minimum distribution (RMD) will result in a 25% penalty on the amount that should have been withdrawn (reduced to 10% if timely corrected).*
RMDs[2]	• None.	• None.	• Yes. The IRA owner's first RMD must be withdrawn no later than April 1 of the calendar year following the year in which the IRA owner attains RMD age. RMDs for all subsequent years must be withdrawn no later than December 31 of the year for which the distribution is required.
Roth IRA			
Tax implications	• Assets representing Roth IRA contributions (and other basis) are withdrawn tax-free. • Unless the distribution is part of a qualified distribution,[3] ordinary income tax applies when assets representing Roth IRA earnings are withdrawn.	• Assets representing Roth IRA contributions (and other basis) are withdrawn tax-free. • Unless the distribution is part of a qualified distribution,[3] ordinary income tax applies when assets representing Roth IRA earnings are withdrawn.	• Assets representing Roth IRA contributions (and other basis) are withdrawn tax-free. • Unless the distribution is part of a qualified distribution,[3] ordinary income tax applies when assets representing Roth IRA earnings are withdrawn.
Withdrawal penalties	• No penalties on withdrawal of contributions. A 10% early distribution penalty applies when assets representing Roth IRA earnings are withdrawn, unless they are withdrawn as part of a qualified distribution, or a penalty exception applies.	• None.	• None.
RMDs	• None.	• None.	• None.
Qualified Plan[4]/403(b)/Governmental 457(b)			
Tax implications	• Depends on the type of plan, but generally taxed as ordinary income.	• Generally taxed as ordinary income.	• Generally taxed as ordinary income.
Withdrawal penalties	• Qualified plan/403(b): 10% penalty on amounts not rolled over to another plan within 60 days unless an early withdrawal exception applies. • 457(b): Generally no penalty.[5]	• None, but participant may be required to separate from service before withdrawals are allowed if the plan does not allow for in-service withdrawals.	• Failure to take any year's full RMD will result in a 25% penalty on the amount that should have been withdrawn (reduced to 10% if timely corrected).*
RMDs	• None.	• None.	• Yes. Except for a five-percent owner, a participant's first RMD must be withdrawn no later than April 1 of of the calendar year following the later of 1) the calendar year in which the participant attains RMD age, or 2) the calendar year in which the participant retires from employment with the employer maintaining the plan. RMDs for all subsequent years must be withdrawn no later than December 31 of the year for which the distribution is required.

* SECURE 2.0 plan provision. Some provisions are mandatory while other may be optional. Please consult with your service provider to determine which features are available.

1. If born after December 31, 1950, and before January 1, 1960, the first year for which an RMD must be withdrawn is the year the account owner attains age 73 years of age. If born after December 31, 1959, the first year for which an RMD must be withdrawn the year the account owner attains age 75 years of age.
2. Any amounts withdrawn from a traditional IRA that represent nondeductible contributions are not subject to tax.
3. A distribution from a Roth IRA is considered a qualified distribution if it is withdrawn after satisfying a five-year waiting period provided the IRA owner (i) is age 59½ or older; (ii) is disabled, (iii) qualifies for the purchase of a first home, or (iv) is deceased. The five-year waiting period begins on the first day of the taxable year for which the Roth IRA owner made their first contribution (i.e., annual contribution, conversion contribution or rollover from an employer plan) to any Roth IRA owned by the Roth IRA owner.
4. A retirement plan that meets the requirements of the Internal Revenue Code to qualify for tax-favored treatment (e.g., 401(k), profit-sharing, money purchase).
5. A 10% penalty could apply if the distribution from the 457(b) plan is attributable to funds rolled into the plan from a qualified plan and the distribution does not qualify for another penalty exception.

Retirement plan distribution rules (continued)

	Under 59½ years of age	Age 59½ but before age 73[1]	Age 73 and later years[*,1]
Roth 401(k)/Roth 403(b)/Roth 457(b)			
Tax implications	• Ordinary income tax applies to investment earnings unless employee has been a Roth participant for at least five tax years and the distribution is due to death or disability.	• Distributions are tax-free with five tax years or more of Roth plan participation. If the five-year requirement isn't met, the amount attributable to investment earnings is subject to ordinary income tax.	• Distributions are tax-free with five tax years or more of Roth plan participation. If the five-year requirement isn't met, the amount attributable to investment earnings is subject to ordinary income tax.
Withdrawal penalties	• None.	• None.	• None.*
RMDs[1]*	• None.	• None.	• None.*

Distributions not subject to the 10% early withdrawal penalty

IRA/SEP/SIMPLE IRA[2]/Qualified Plan/403(b)	IRA/SEP/SIMPLE IRA[2]	Qualified Plan/403(b)
• Qualified reservist distributions. • Qualified natural disaster distributions.* • Illness certified by a Dr. to be terminal within 84 months.* • On or after age 59½. • Death. • Permanent disability (as defined in the Internal Revenue Code). • Series of substantially equal periodic payments.[3] • IRS levy on the IRA or plan. • Unreimbursed medical expenses in excess of 7.5% of AGI. • Qualified birth or adoption expenses up to $5,000 per birth/adoption, withdrawn within 12 months of the birth of a child or the legal date of adoption. • Emergency personal expense distributions up to $1,000 per year.[*,4] • Eligible distributions to domestic abuse victims up to $10,000 withdrawn within one year following the domestic abuse.[*,5]	• Qualified first-time homebuyer expenses ($10,000 lifetime limitation). • Qualified higher education expenses. • Payment of health insurance premiums while unemployed (requirements apply).	• After an employee's separation from service where the separation occurs during or after the year the employee reaches age 55. • To an alternate payee under a qualified domestic relations order (QDRO).

* SECURE 2.0 plan provision. Some provisions are mandatory while other may be optional. Please consult with your service provider to determine which features are available.

1. If born after December 31, 1950, and before January 1, 1960, the first year for which an RMD must be withdrawn is the year the account owner age 73 years of age. If born after December 31, 1959, the first year for which an RMD must be withdrawn the year the account owner attains age 75 years of age.
2. RMDs must begin by April 1 of the calendar year following the year the account owner reach RMD age, regardless of retirement status.
3. SEPPs are available to qualified plan and 403(b) participants only after severance from employment.
4. To qualify, a distribution must be needed to meet an unforeseeable or immediate financial need related to personal or family emergency expenses. Emergency personal expense distributions may be repaid during the three-year period beginning on the date of the distribution. Individuals who do not repay an emergency personal expense distribution may be—under certain circumstances—restricted from taking another emergency personal expense distribution during the three calendar years immediately following the distribution.
5. When withdrawn from an employer-sponsored plan, such distributions may not exceed 50% of the participant's vested balance. Further restrictions on such distributions withdrawn from IRAs are applicable as prescribed by the IRS.

Retirement plan distribution rules (continued)

Distributions not subject to the 10% early withdrawal penalty (continued)

Substantially Equal Periodic Payments[1]

Distributions from a qualified plan, a 403(b) or an IRA before age 59½ are not subject to the 10%[2] early withdrawal penalty if they consist of a series of "substantially equal periodic payments" (SEPPs) that satisfy Section 72(t) of the Internal Revenue Code and IRS Notice 2022-6. Payments must be taken for at least five years or until age 59½, whichever is longer.

Calculating the Substantially Equal Periodic Payment distribution amount

IRS approved method	Description	Key features
RMD	• Divide the account balance for each year by the appropriate life-expectancy factor from one of three IRS tables: – Uniform Lifetime. – Single Life Expectancy. – Joint and Last Survivor. • The same table must be used for all payment calculations.	• Requires annual recalculation of the payment amount using the updated account balance and life-expectancy factor. • Of the three methods, the RMD method generally results in the lowest payment. • Annual changes to the payment amount are not considered modifications of the SEPP arrangement.
Fixed amortization	• Amortize the account balance in the first year of payment using the life-expectancy factor from one of the IRS tables listed above and an interest rate. • The interest rate can't be more than the greater of (a) 5% or (b) 120% of the federal mid-term rate for either of the two months immediately preceding the month in which payments begin.	• The payment amount is not recalculated after it is initially determined — it remains the same each year. • Exception: The IRS allows the account owner to switch to the RMD method in any year after the first year provided the RMD method continues to be followed in all later years.
Fixed annuitization	• Similar to the fixed amortization method, except that the life-expectancy factor ("annuity factor") is taken from an IRS-approved mortality table.	• The payment amount is not recalculated after it is initially determined — it remains the same each year. • Exception: The IRS allows the account owner to switch to the RMD method in any year after the first year, provided the RMD method continues to be followed in all later years.

RMD calculation upon attaining RMD starting age

To find the current RMD, divide the adjusted balance of the account on December 31 of the previous year by the applicable divisor from the IRS Uniform Lifetime Table. Use the account owner's age on this year's birthday, however, if the account owner's spouse is the sole beneficiary for the entire calendar year and is more than 10 years younger than the owner, use the applicable divisor from the Joint and Last Survivor table that corresponds to the account owner's age and spouse's age this year on their birthdays, which will result in a lower RMD.

IRS uniform lifetime table

Age	Applicable divisor	Age	Applicable divisor	Age	Applicable divisor
73	26.5	83	17.7	93	10.1
74	25.5	84	16.8	94	9.5
75	24.6	85	16.0	95	8.9
76	23.7	86	15.2	96	8.4
77	22.9	87	14.4	97	7.8
78	22.0	88	13.7	98	7.3
79	21.1	89	12.9	99	6.8
80	20.2	90	12.2	100	6.4
81	19.4	91	11.5	101	6.0
82	18.5	92	10.8		

1. SEPPs are available to qualified plan and 403(b) participants only after severance from employment.
2. The early distribution penalty is 25% (instead of 10%) during the first two years of SIMPLE IRA participation.

Individual Retirement Accounts

Traditional IRA — Maximum deductible contribution

For individuals covered by an employer-sponsored plan[1]

	2025			2024		
	Modified AGI[2]	**Younger than 50**	**50 or older**	**Modified AGI[2]**	**Younger than 50**	**50 or older**
Single	$79,000 or less	$7,000	$8,000	$77,000 or less	$7,000	$8,000
	More than $79,000, but less than $89,000	Partial deduction	Partial deduction	More than $77,000, but less than $87,000	Partial deduction	Partial deduction
	$89,001 or more	None	None	$87,000 or more	None	None
Married (filing jointly)	$126,000 or less	$7,000	$8,000	$123,000 or less	$7,000	$8,000
	More than $126,000, but less than $146,000	Partial deduction	Partial deduction	More than $123,000, but less than $143,000	Partial deduction	Partial deduction
	$146,000 or more	None	None	$143,000 or more	None	None

Roth IRA — Maximum contribution

	2025			2024		
	Modified AGI[2]	**Younger than 50**	**50 or older**	**Modified AGI[2]**	**Younger than 50**	**50 or older**
Single	$150,000 or less	$7,000	$8,000	$146,000 or less	$7,000	$8,000
	More than $150,000, but less $165,000	Partial deduction	Partial deduction	More than $146,000, but less than $161,000	Partial contribution	Partial contribution
	$165,000 or more	None	None	$161,000 or more	None	None
Married (filing jointly)	$236,000 or less	$7,000	$8,000	$230,000 or less	$7,000	$8,000
	More than $236,000, but less than $246,000	Partial deduction	Partial deduction	More than $230,000, but less than $240,000	Partial contribution	Partial contribution
	$246,000 or more	None	None	$240,000 or more	None	None

Health Savings Accounts (HSAs)

Annual contribution limits	**2025**	**2024**
Self only coverage, individual under age 55	$4,300	$4,150
Family coverage, individual under age 55	$8,550	$8,300
Catch-up contributions at age 55 before end of taxable year	$1,000	$1,000

Out-of-pocket spending Cap of HSA-compatible HDHPs	**2025**	**2024**
Self only coverage	$8,300	$8,050
Family coverage	$16,600	$16,100

Minimum deductible amounts for HSA-compatible HDHPs	**2025**	**2024**
Self only coverage	$1,650	$1,600
Family coverage	$3,300	$3,200

Retirement savers credit

	2025 AGI			2024 AGI		
Credit	**Married jointly**	**Head of household**	**All other filers[3]**	**Married jointly**	**Head of household**	**All other filers[3]**
50%	$47,500 or less	$35,625 or less	$23,750 or less	$46,000 or less	$34,500 or less	$23,000 or less
20%	$47,501 - $51,000	$35,626 - $38,250	$23,751 - $25,500	$46,001 - $50,000	$34,501 - $37,500	$23,001 - $25,000
10%	$51,001 - $79,000	$38,251 - $59,250	$25,501 - $39,500	$50,001 - $76,500	$37,501 - $57,375	$25,001 - $38,250
0%	$79,001 or more	$59,251 or more	$39,501 or more	$76,501 or more	$57,376 or more	$38,251 or more

1. Individuals filing a single return and not covered by a retirement plan at work may deduct the full contribution amount with no modified Adjusted Gross Income (AGI) restrictions. For a married couple filing jointly, if both taxpayers are not covered by a retirement plan at work, the full contribution amount is deductible with no modified AGI restrictions. For a married couple filing jointly where the IRA owner is not an active participant in an employer-sponsored retirement plan but is married to someone who is an active participant, the deduction is phased out if the couple's combined modified AGI exceeds the range.
2. Modified adjusted gross income (AGI) represents AGI before certain deductions and adjustments are considered. Modified AGI is used to determine both Traditional IRA deductibility and Roth IRA contribution eligibility.
3. Single, married filing separately, or surviving spouses.

Federal tax rates and schedules

Single filer

2025		
Tax rate	Taxable income bracket	Tax owed
10%	$0 to $11,925	10% of taxable income
12%	$11,926 to $48,475	$1,192.50 plus 12% of the amount over $11,925
22%	$48,476 to $103,350	$5,578.50 plus 22% of the amount over $48,475
24%	$103,351 to $197,300	$17,651 plus 24% of the amount over $103,350
32%	$197,301 to $250,525	$40,199 plus 32% of the amount over $197,300
35%	$250,526 to $626,350	$57,231 plus 35% of the amount over $250,525
37%	$626,351 or more	$188,769.75 plus 37% of the amount over $626,350

2024		
Tax rate	Taxable income bracket	Tax owed
10%	$0 to $11,600	10% of taxable income
12%	$11,601 to $47,150	$1,160 plus 12% of the amount over $11,600
22%	$47,151 to $100,525	$5,426 plus 22% of the amount over $47,150
24%	$100,526 to $191,950	$17,168.50 plus 24% of the amount over $100,525
32%	$191,951 to $243,725	$39,110.50 plus 32% of the amount over $191,950
35%	$243,726 to $609,350	$55,678.50 plus 35% of the amount over $243,725
37%	$609,351 or more	$183,647.25 plus 37% of the amount over $609,350

Married individual filing joint return or surviving spouses

2025		
Tax rate	Taxable income bracket	Tax owed
10%	$0 to $23,850	10% of taxable income
12%	$23,851 to $96,950	$2,385 plus 12% of the amount over $23,850
22%	$96,951 to $206,700	$11,157 plus 22% of the amount over $96,950
24%	$206,701 to $394,600	$35,302 plus 24% of the amount over $206,700
32%	$394,601 to $501,050	$80,398 plus 32% of the amount over $394,600
35%	$501,051 to $751,600	$114,462 plus 35% of the amount over $501,050
37%	$751,601 or more	$202,154.50 plus 37% of the amount over $751,600

2024		
Tax rate	Taxable income bracket	Tax owed
10%	$0 to $23,200	10% of taxable income
12%	$23,201 to $94,300	$2,320 plus 12% of the amount over $23,200
22%	$94,301 to $201,050	$10,852 plus 22% of the amount over $94,300
24%	$201,051 to $383,900	$34,337 plus 24% of the amount over $201,050
32%	$383,901 to $487,450	$78,221 plus 32% of the amount over $383,900
35%	$487,451 to $731,200	$111,357 plus 35% of the amount over $487,450
37%	$731,201 or more	$196,669.50 plus 37% of the amount over $731,200

Married filing separately

2025		
Tax rate	Taxable income bracket	Tax owed
10%	$0 to $11,925	10% of taxable income
12%	$11,926 to $48,475	$1,192.50 plus 12% of the amount over $11,925
22%	$48,476 to $103,350	$5,578.50 plus 22% of the amount over $48,475
24%	$103,351 to $197,300	$17,651 plus 24% of the amount over $103,350
32%	$197,301 to $250,525	$40,199 plus 32% of the amount over $197,300
35%	$250,526 to $375,800	$57,231 plus 35% of the amount over $250,525
37%	$375,801 or more	$101,077.25 plus 37% of the amount over $375,800

2024		
Tax rate	Taxable income bracket	Tax owed
10%	$0 to $11,600	10% of taxable income
12%	$11,601 to $47,150	$1,160 plus 12% of the amount over $11,600
22%	$47,151 to $100,525	$5,426 plus 22% of the amount over $47,150
24%	$100,526 to $191,950	$17,168.50 plus 24% of the amount over $100,525
32%	$191,951 to $243,725	$39,110.50 plus 32% of the amount over $191,950
35%	$243,726 to $365,600	$55,678.50 plus 35% of the amount over $243,725
37%	$365,601 or more	$98,334.75 plus 37% of the amount over $365,600

Federal tax rates and schedules (continued)

Head of household

2025			2024		
Tax rate	**Taxable income bracket**	**Tax owed**	**Tax rate**	**Taxable income bracket**	**Tax owed**
10%	$0 to $17,000	10% of taxable income	10%	$0 to $16,550	10% of taxable income
12%	$17,001 to $64,850	$1,700 plus 12% of the amount over $17,000	12%	$16,551 to $63,100	$1,655 plus 12% of the amount over $16,550
22%	$64,851 to $103,350	$7,442 plus 22% of the amount over $64,850	22%	$63,101 to $100,500	$7,241 plus 22% of the amount over $63,100
24%	$103,351 to $197,300	$15,912 plus 24% of the amount over $103,350	24%	$100,501 to $191,950	$15,469 plus 24% of the amount over $100,500
32%	$197,301 to $250,500	$38,460 plus 32% of the amount over $197,300	32%	$191,951 to $243,700	$37,417 plus 32% of the amount over $191,950
35%	$250,501 to $626,350	$55,484 plus 35% of the amount over $250,500	35%	$243,701 to $609,350	$53,977 plus 35% of the amount over $243,700
37%	$626,351 or more	$187,031.50 plus 37% of the amount over $626,350	37%	$609,351 or more	$181,954.50 plus 37% of the amount over $609,350

Standard deductions

Filing status	2025	2024
Single	$15,000	$14,600
Married filing jointly	$30,000	$29,200
Married filing separately	$15,000	$14,600
Head of household	$22,500	$21,900

2025: Capital gains

Long-term capital gains tax rates (longer than 12 months)	Taxable income			
	Single	**Married jointly**	**Married separately**	**Head of household**
0%	Not more than $48,350	Not more than $96,700	Not more than $48,350	Not more than $64,750
15%	$48,351 to $533,400	$96,701 to $600,050	$48,351 to $300,000	$64,751 to $566,700
20%	$533,401 or more	$600,051 or more	$300,001 or more	$566,701 or more

Short-term capital gains (12 months or less) are taxed at ordinary income tax rates.

2024: Capital gains

Long-term capital gains tax rates (longer than 12 months)	Taxable income			
	Single	**Married jointly**	**Married separately**	**Head of household**
0%	Not more than $47,025	Not more than $94,050	Not more than $47,025	Not more than $63,000
15%	$47,026 to $518,900	$94,051 to $583,750	$47,026 to $291,850	$63,001 to $551,350
20%	$518,901 or more	$583,751 or more	$291,851 or more	$551,351 or more

Short-term capital gains (12 months or less) are taxed at ordinary income tax rates.

Alternative minimum tax exemptions and phase-outs

	2025		2024	
Filing status	**Amt exemption**	**Phase-out thresholds**	**Amt exemption**	**Phase-out thresholds**
Single	$88,100	$626,350	$85,700	$609,350
Married jointly	$137,000	$1,252,700	$133,300	$1,218,700

Gift and estate tax exclusions and credits

	2025	2024
Estate tax exclusion amount	$13,990,000	$13,610,000
Annual gift exclusion, per donor	$19,000	$18,000

Social Security benefits

Determine your full retirement age

Year of birth	Full retirement age
1943 – 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960+	67

Delayed retirement benefits

Year of birth	Yearly increase to age 70
1941 – 1942	7.50%
1943 – later	8%

Cost of Living Adjustments (COLA)

Year	Percentage
2025	2.50%
2024	3.20%

State taxation of Social Security benefits

Tax some or all SS benefits (9 states)	CO, CT, MN, MT, NM, RI, UT, VT, WV
All other states (41) plus Washington, D.C. exclude SS benefits from taxation	AL, AK, AR, AZ, CA, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MO, MS, NC, ND, NE, NH, NJ, NV, NY, OH, OK, OR, PA, SC, SD, TN, TX, VA, WA, WI, WY

Who is entitled to your benefits once you're eligible

Who	Eligibility	Benefit[1]
Spouse	• 62 or older. • Any age if caring for your child who is under 16 or disabled and also receiving benefits on your record. • 60 or older (50 or older if disabled) upon your death.	• Eligible for 50% of your full benefit if claimed at full retirement age (FRA),reduced if taken prior. • Upon your death, eligible for 100% if FRA, no less than 71.5% if taken between age 60 and FRA.
Child	• Unmarried. • Under age 18 (or is 18 – 19 if in high school full time. • Any age if disabled before age 22.	• Can receive 50% of your full benefit. • Upon your death, surviving children can receive 75% of your benefit.
Ex-spouse	• Age 62 or older. • Married to you for at least 10 years. • Not currently married. • 60 or older (50 or older if disabled) upon your death.	• Can receive 50% of your full benefit at FRA, reduced if taken before FRA, even if you have not filed, if both of you are at least 62 and divorced at least two years. • Entitled to same survivor benefits as current spouse if FRA.

Types of Social Security benefits

Retirement	• Workers who have worked for a sufficient number of years are eligible for retirement at age 62.	• Taxable
Survivor	• If you are the surviving spouse, ex-spouse, or minor child of a worker who qualified for Social Security retirement.	• Taxable
Disability	• If you haven't reached retirement age but have met the work requirements and are considered disabled under the Social Security Administration (SSA) program's medical guidelines.	• Taxable
Supplemental Security Income (SSI)	• Monthly benefits are paid to people with limited income and resources who are disabled, blind, or age 65 or older. • Blind or disabled children may also get SSI.	• Not Taxable
Lump-sum death benefit	• Paid ($255) to a living with surviving spouse or minor/disabled children only. • File Form SSA-8.	• Not Taxable

1. Earnings limits, family limits and Windfall Elimination Provisions apply.

Medicare benefits

Medicare: federal health insurance for retirees

	Covered	Not Covered	Notes
Medicare Part A – Hospital Insurance (Part of original Medicare)	• Inpatient hospital care. • Skilled nursing facility. • Hospice. • Home health care.	• Long-term care, such as nursing homes or long-term facilities.	• Most people are automatically enrolled in Part A at age 65 if they have: – Worked at least 10 years. – Paid Medicare taxes while working. • Medicare Part A coverage is typically premium-free but may also come with other costs, including: – Deductibles. – Co-insurance. – Co-payments.
Medicare Part B – Outpatient Medical Insurance (Part of original Medicare)	• Doctor visits. • Lab testing. • Ambulance services. • Preventative care. • Mental health care. • Drug coverage that must be administered by a doctor.	• Prescription drug coverage. This is covered under Part D. • Medical equipment obtained through a supplier not affiliated with Medicare.	• Unlike Part A, most people will pay a monthly premium for Part B. That premium will vary from year to year and depend on individual situations. • Other costs related to your Medicare Part B coverage may include: – Deductibles. – Co-insurance. – Co-payments. • Costs vary depending on the type of service or item requested.
Medicare Advantage (Part C) – Alternative to Original Medicare from a private insurer	• Dental care. • Hearing care. • Prescription drug coverage. • Vision services and care. • Additional benefits not covered by Medicare A or B. • Coverage is based on the specific plan selected.		• Medicare Advantage programs are available through many private providers that may offer multiple levels of additional coverage at different price points. • Other costs related to Medicare Part C coverage may include: – Deductibles. – Co-insurance. – Co-payments. • Costs vary depending on the type of service or item requested.
Medicare Part D – Prescription Drug Insurance	• Original Medicare offers limited prescription drug benefits. Fills the gap in prescription drug coverage left by Medicare Parts A and B.		• Original Medicare beneficiaries can sign up for Medicare Part D prescription drug coverage through a separate Medicare Prescription Drug Plan. • These plans provide for stand-alone prescription drug benefits. Individuals still need to stay enrolled in Part A and/or Part B for their hospital and medical coverage. • Individuals who opt for Medicare Advantage can get Medicare Part D coverage through a Medicare Advantage Prescription Drug plan. The convenience of these plans is that they provide all of your Medicare Part A, Part B, and Part D benefits under a single plan.
Medicare Supplemental Insurance (aka Medigap) Private insurance companies that cover costs not covered by original Medicare	• Deductibles. • Premiums. • Co-payments. • Travel care coverage.	• Prescription drug coverage.	• Whether a Medigap or a Medicare Advantage plan is a better option may depend on variables such as which state you live in, the proximity of in-network providers, and coverage costs (co-pays, deductibles, etc.)

Source: Medicare & You 2023 - The official U.S. Government Medicare Handbook.

Comparing Medicare Advantage and Medicare Supplement Plans

Feature	Does it cover Medicare's out-of-pocket costs, such as deductibles and coinsurance?	Does it let you see any doctor you choose who accepts Medicare assignment?	Does it include prescription drug coverage?	Does it include additional coverage, such as routine dental or vision services?
Medicare Supplement – Medigap	• Yes. Different plans may cover different portions of certain out-of-pocket costs. Some plans may not cover Medicare deductibles.	• Yes, you may see any doctor you choose who accepts Medicare assignment with most plans.	• No, unless you still have a previously purchased plan that included this coverage.	• Standard benefits don't include this coverage, although some insurance companies may offer additional benefits.
Medicare Advantage – Part C	• Plans set their own coinsurance and deductible amounts.	• Many plans have provider networks you must use or else pay higher out-of-pocket costs for your medical services.	• Yes, with most plans.	• Yes, with some plans.

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