

NEW!

RETIREMENT RULES FOR 2025

Setting Every Community Up for Retirement Enhancement (SECURE) Act 2.0 enacted in late 2022 had a list of provisions that are scheduled take effect over several years. Here are some provisions effective in 2025 that could impact your retirement savings this year.

AUTOMATIC 401 (K) ENROLLMENT

SECURE 2.0 requires businesses adopting the new 401(k) or 403(b) to automatically enroll new employees at a contribution rate of between 3% and 10% of compensation. And that amount is to be increased by 1% each year thereafter until it reaches at least 10%, but not more than 15%. This is not a mandatory participation. Employees may opt out of the plan. Businesses of less than three years or with 10 or less employees are excluded from this requirement.

LARGER CATCH-UP CONTRIBUTIONS FOR AGES 60 TO 63

Effective 2025, active 401(k), 403(b) and governmental 457(b) plan participants can contribute up to \$10,000 or 150% of the 2024 catch-up contribution limit. For 2025, the maximum catch-up contribution is \$11,250 while the total limit is \$34,750 (to include the \$23,500 contribution limit and catch-up contribution of \$11,250.)

Participant Age in 2025	2025 Standard Annual Deferral Limit	Catch Up Contribution for 2025	Total 2025 Annual Contribution Limit
50-59 or 64 or older	\$23,500	\$7,500	\$31,000
60-63	\$23,500	\$11,250	\$34,750

SIMPLE IRA AND CATCH UP CONTRIBUTIONS FOR AGES 60-63

For people aged 50 and over, the contribution limit increased by \$500 to \$16,500 while the catch up contribution limit remains the same.

For those 60-63, the new catch up contribution limit increased to the greater of \$5,000 or 150% of the regular age 50 catch up contribution limit.

INHERITED IRA AND ITS BENEFICIARIES

There is a 10-year clean-out rule for most non-spousal beneficiaries of inherited IRAs. The IRA funds must be distributed to that beneficiary within 10 years of the owner's death. Eligible designated beneficiaries are exempt from this 10-year rule: Surviving spouse, minor children of the deceased account owner (until age 21), beneficiaries who are chronically ill or disable and beneficiaries who are not more than 10 years younger than the decedent.

INDIVIDUAL DETAILS MATTER

With inherited IRAs, it is crucial to understand the details of the account and impact on the beneficiary. Knowing the type of account and details involving the account holder is crucial to determine the most appropriate strategy for every unique situation. Consult your financial professional to help navigate the specific inherited IRA rules.

For any questions on these topics and as you manage your finances, please give us a call. I would be happy to be of service and support to you and your family.



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