



Inflation Adjustments from the IRS Affect Retirement Accounts, Estate Taxes, and More

While the rate of inflation may be moderating, it is still causing multiple changes in everything from Social Security and benefit programs to retirement plans, income tax brackets and estate tax exemptions.

The Individual Retirement Account (IRA) was pegged to inflation in 2001. Effective 2024, the contribution limit is \$7,000, with an annual \$1,000 catch up contribution for individuals over 55. As a result of inflation, the income ranges for determining eligibility to make deductible contributions to traditional Individual Retirement Arrangements (IRAs) and to contribute to Roth IRAs all increased for 2024.*

Retirement Plan Contributions

Type of Retirement Plan	Maximum Annual Contributions			
	2023		2024	
	Under Age 50	50 and Older	Under Age 50	50 and Older
Individual Retirement Plans*				
Traditional, Non-Deductible and Roth IRA	\$6,500	\$7,500	\$7,000	\$8,000
Employer-Sponsored Retirement Plans				
401(k), Roth 401(k), 403(b), 457 and SARSEP Plans – Employee contribution	\$22,500	\$30,000	\$23,000	\$30,500
SEP (Simplified Employee Pension) IRA***	Employer contribution - 25% of compensation up to \$66,000		Employer contribution - 25% of compensation up to \$69,000	
Small Business or Self-Employed Retirement Plans				
	Non-Elective business contributions up to 25% of compensation			
Self-Employed 401k (a.k.a., Solo-401k, Individual 401k, Roth 401k)	Elective deferrals up to 100% of compensation with annual limit of \$22,500 plus catch-up contribution of \$7,500 if over 50		Elective deferrals up to 100% of compensation with annual limit of \$23,000 plus catch-up contribution of \$7,500 if over 50	
	up to a combined maximum of \$66,000 (\$73,500 over 50)		up to a combined maximum of \$69,000 (\$76,500 over 50)	
SIMPLE (Savings Incentive Match Plan for Employees) IRA - Employee contribution	\$15,500	\$19,000	\$16,000	\$19,500

* The 2024 income phase-out range for taxpayers making contributions to a Roth IRA is increased to between \$146,000 and \$161,000 for singles and heads of household, up from between \$138,000 and \$153,000 in 2023. For married couples filing jointly, the 2024 income phase-out range is increased to between \$230,000 and \$240,000, up from between \$218,000 and \$228,000 in 2023. The ability to make tax-deductible contributions to a traditional IRA while participating in a workplace retirement account is also subject to income limits that vary based on filing status and participating or non-participating spouse. Make certain you review and understand income limitations prior to making contributions.

Estate Tax Inflation Adjustments

The federal estate tax exemption increases in 2024 to \$13.61 million (up from \$12.92 million) for individuals. For married couples, the combined exemption amount increases to \$27.22 million.

Typically, one's heirs will not pay the federal estate tax unless the value of the estate exceeds the

exemption amount. Estate values in excess of the exemption will incur federal estate taxes starting at 18% for up to \$10,000 to 40% for asset values in excess of \$1 million.

A number of states impose their own estate taxes with varying exemption amounts. There are also a handful with an inheritance tax, which can impact even small estates.

The bad news for large estates is that effective 2026 the basic estate exemption amount is set to drop back down to around \$7 million (\$5 million adjusted for inflation).

For individuals with large estates who fully expect to live beyond 2025, it is possible to take advantage of the higher gift and estate tax exclusion in effect through 2025 and not be adversely impacted after 2025.

In November 2019, the Treasury Department and the Internal Revenue Service issued final regulations confirming that individuals taking advantage of the increased gift and estate tax exclusion amounts in effect from 2018 to 2025 will not be adversely impacted after 2025 when the exclusion amount is scheduled to drop to pre-2018 levels. To address concerns that an estate tax could apply to gifts exempt from gift tax by the increased basic exemption amount (BEA), the final regulations provide a special rule that allows the estate to compute its estate tax credit using the higher of the BEA applicable to gifts made during life or the BEA applicable on the date of death.



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