Retirement Contributions At-a-Glance, 2023

As fewer companies offer pensions and Social Security makes up less of the average retiree’s income, you will have to rely more on your own savings for retirement. Making contributions to IRAs and workplace retirement plans (WRP), such as a 401(k), 403(b), SEP IRA, or SIMPLE IRA is an easy way to save for retirement.

Key facts to know

- **Is earned income required to make a contribution?** — An individual must have taxable earned income to make an IRA contribution. A nonworking spouse may contribute based on the working spouse’s earned income when filing jointly.

- **What is compensation?** — Generally, compensation includes salaries, wages, tips, professional fees, bonuses, nontaxable combat pay, and other amounts you receive for providing personal services.

- **What is not considered compensation?** — Compensation does not include any amount received as earnings and profits from property, such as rental, interest or dividend income, pension or annuity income, deferred compensation, income from certain partnerships, and any amounts (other than combat pay) you exclude from income, such as foreign earned income and housing costs.

- **Can contributions be made with securities?** — No, contributions must be made in cash, check, or money order. Contributions cannot be made in-kind (i.e., securities, property).

Coverdell ESA Contribution limits

Coverdell Education Savings Accounts allow you to save for a child’s education expenses with tax-free growth and distribution opportunities. Earned income is not required to make a contribution, but contributions are subject to the following Modified Adjusted Gross Income (MAGI) limits:

<table>
<thead>
<tr>
<th>Single</th>
<th>Married/joint</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $95,000</td>
<td>Up to $190,000</td>
<td>Full</td>
</tr>
<tr>
<td>$95,000 and</td>
<td>$190,000 and</td>
<td>Partial</td>
</tr>
<tr>
<td>$110,000</td>
<td>$220,000</td>
<td></td>
</tr>
<tr>
<td>Over $110,000</td>
<td>$220,000</td>
<td>None</td>
</tr>
</tbody>
</table>

- Contributions may be made until the child reaches age 18.
- Annual, nondeductible contributions of up to $2,000 per child from all contributors, regardless of the number of ESAs for that child.
- Special needs beneficiaries are allowed contributions beyond age 18.

Monday, April 15, 2024, is the last day to establish and/or make contributions for 2023 for Traditional and Roth IRAs and Coverdell ESAs — no extension.

- For IRA owners in ME and MA, the deadline is April 17, 2024.
- Contribution deadline extensions apply to employer contributions with SEP and SIMPLE IRAs.
Traditional and Roth IRA contributions

- **Maximum contribution (per individual if under age 50):**
  - The lesser of $6,500 or total compensation for the year

- **Maximum contribution (per individual if age 50 or older within a particular tax year):**
  - The lesser of $7,500 or total compensation for the year

- **The total contribution to all of your Traditional and Roth IRAs cannot be more than the annual maximum for your age or 100% of earned income, whichever is less.**

- **There is no maximum age for making Traditional or Roth IRA contributions, as long as you, or your spouse if filing jointly, has earned income.**

- **Roth contributions are not tax-deductible.**

Roth IRA contribution phase-out limits

- Contributions are subject to the following MAGI limits:

<table>
<thead>
<tr>
<th>Single</th>
<th>Married/joint</th>
<th>Married/separate¹</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $138,000</td>
<td>Up to $218,000</td>
<td>N/A</td>
<td>Full</td>
</tr>
<tr>
<td>$138,000 – $153,000</td>
<td>$218,000 – $228,000</td>
<td>Up to $10,000</td>
<td>Partial</td>
</tr>
<tr>
<td>Over $153,000</td>
<td>Over $228,000</td>
<td>Over $10,000</td>
<td>None</td>
</tr>
</tbody>
</table>

401(k), 403(b), Gov’t 457(b) plan contribution limits

- **Employee maximum deferral contributions:**
  - $22,500
- **Catch-up contribution (if age 50 or older):**
  - $7,500

SEP, SIMPLE IRAs, and other retirement limits

- **Maximum elective deferral to SIMPLE IRA and SIMPLE 401(k) plans:**
  - $15,500
- **Catch-up contribution for SIMPLE IRA and SIMPLE 401(k) plans (if age 50 or older):**
  - $3,500
- **Maximum annual defined contribution plan limit:**
  - $66,000
- **Maximum compensation for calculating qualified plan contributions:**
  - $330,000
- **Maximum annual defined benefit limit:**
  - $265,000
- **Threshold for highly compensated employee:**
  - $150,000
- **Threshold for key employee in top-heavy plans:**
  - $215,000
- **Maximum SEP contribution is lesser of limit or 25% of eligible compensation:**
  - $66,000
- **Income subject to Social Security:**
  - $160,200

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