

RETIREMENT PLANNING

4 Ways Retirement Planning In 2024 Is Changing

The new year will usher in more changes than usual that will impact your retirement plans.



(Image credit: Getty Images)

It's common for people to resist, or at least avoid, change. But as we ring in the New Year, certain changes will impact your retirement planning in 2024 — and overall, the changes are to your advantage.

There are updates to contribution limits as well as new policies and procedures that can help you breeze through your retirement planning checklist have financially healthy golden years.

Here are just a few highlights you should be aware of to make use of in 2024.

1. IRA and 403(b) contribution limits increase

Thanks to increases in IRA and 403(b) contribution limits, you can soon save more money for retirement.

Traditional and Roth IRA

Contribution limits for a traditional or Roth IRA increased last year, and the limits are going up again for 2024:

- The limit on annual contributions to an IRA increased to \$7,000 in 2024, up from \$6,500.

- Catch-up contributions for taxpayers 50 and older are subject to cost-of-living adjustments, but these limits remain unchanged for 2024 at \$1,000 (\$8,000 total).

However, not everyone can benefit of the higher IRA contribution limits in 2024. You can only make the maximum contribution to your Roth IRA if your modified adjusted gross income (MAGI) is below the threshold set for the year.

403(b) and other employer-sponsored plans

Individuals can contribute more to their 403(b) plans and other employer-sponsored plans in 2024:

- Contribution limits for employees who participate in 403(b), 401(k) and most 457 plans, as well as the federal government's Thrift Savings Plan, will increase to \$23,000 in 2024, up from \$22,500.
- Participants in 403(b), 401k, and most 457 plans, as well as the federal government's Thrift Savings Plan who are 50 and older, can contribute up to \$30,500, starting in 2024.

More details on these and other retirement-related cost-of-living adjustments for 2024 can be found on the IRS site.

NYSUT NOTE: Interested in contributing to a 403(b) but not sure where to start, or do you already contribute and want to review your current plan to make sure it suits your needs? Check out the [NYSUT Member Benefits 403\(b\) Field Guide](#). This tool can help NYSUT members understand the various 403(b) plans, fees and benefits so they can make sound financial decisions when it comes to retirement savings. For more information check out the field guide on the [member website](#).

2. 529 plans can be converted into Roths

For parents whose students decide against college or if they qualify for scholarships and now don't need the 529 funds — the Secure 2.0 Act, passed in December 2022, allows for a portion of a 529 to be rolled over to a Roth IRA tax and penalty-free, as long as certain conditions are met.

- Starting January 1, the funds can now be used for qualified education expenses or put toward retirement.
- The 529 plan to Roth IRA rollovers will go into effect on January 1, 2024.
- In 2024, you can now rollover up to \$35,000 from a 529 plan to an IRA, free of income tax or tax penalties.
- There are restrictions limiting who can do these transfers and when, including that your 529 plan has to have been in place for at least 15 years.
- Your state may not conform to these rules right away (or ever).

3. Starter 401k plans are coming

Starter 401ks are simplified employer-sponsored retirement plans with lower saving limits than a standard 401k. However, employers are not allowed to make contributions to the account, and auto-enrollment is required.

- In 2024, employers that do not sponsor a retirement plan can now offer a “Starter 401k deferral-only” arrangement.
- For 2024, Starter 401k limits are \$6,000 annually, with a \$1,000 catch-up contribution, beginning at age 50.
- Employees can now contribute an extra \$500 to their 401k plan in 2024.
- Starting in 2024, there are more exceptions allowing employees to tap into their 401k plans early without paying penalties (they are still subject to taxation). This includes withdrawing up to \$1,000 per year and avoiding the 10% penalty for people who have experienced a family or personal financial emergency. This rule also permits certain penalty-free early withdrawals in the case of domestic abuse.

4. Full retirement age (FRA) updates

Some changes for Social Security in 2024 include that both benefit amounts and full-age retirement (FRA) rules are changing.

- January Social Security checks climb by 3.2%, thanks to the latest cost-of-living adjustment (COLA). This means Social Security recipients will receive on average \$1,907 per month in 2024, up from \$1,848 per month in 2023. On average, that means your Social Security monthly benefits will grow by more than \$50 starting in January.
- If you are receiving survivors or spousal benefits, your benefits will also increase.
- In 2023, if you earned over \$21,240 and were under your FRA all year, \$1 for every \$2 you earned was withheld; that number changes to \$22,320 in 2024. In 2024, \$1 for every \$3 you earn over \$56,520 is withheld, if you reach your FRA and hit that amount before your birthday.
- In 2024, the Social Security tax wage base is changing, so the government will only tax the first \$168,600 you earn, up from \$160,200 in 2023.
- The maximum Social Security benefit is climbing to \$4,873 in 2024, up from \$4,555 per month in 2023. However, only some seniors will qualify for this.

NYSUT NOTE: Be prepared for any changes in your retirement by having a solid plan, which a trusted advisor can help you do. NYSUT Members have access to the NYSUT Member Benefits Corporation-endorsed Financial Counseling Program, which offers a team of Certified Financial Planners® that provide members with financial counseling

services. These advisors can provide you with unbiased advice that is customized for your specific situation. Get trusted advice for all of your financial planning needs by [visiting the website](#) and enrolling today.



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