

How Social Security, retirement, and taxes are changing

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As we transition into 2025, a number of financial changes may impact individuals and households. From adjustments in Social Security benefits and retirement savings to evolving tax landscapes, it's essential to stay informed. Let's delve into the key financial shifts that will shape the year ahead.

Social Security, retirement, and other savings changes

- **Social Security:** A 2.5 percent Cost-of-Living Adjustment (COLA) will increase benefits for Social Security recipients.
- **401(k) Contribution Limits:** The 401(k) contribution limit will increase to \$23,500. For individuals ages 50 and over, the catch-up contribution limit remains at \$7,500. New in 2025, a catch-up contribution range has been added for employees ages 60-63. That catch-up limit will be \$11,250 instead of \$7,500.

- **401(k) Employees and Employers Combined Limits:** The adjusted cap for those under 50 years of age will be \$70,000; for employees over 50, the cap will be \$77,500; and those between 60 and 63 can max out at \$81,250. Additionally, the maximum income that can count for retirement contributions increases to \$350,000.
- **SEP IRA Limits:** Business owners' contributions to a SEP IRA will have an increased maximum of \$70,000.
- **Health Saving Accounts (HSA) Limits:** HSA contribution limits will increase to \$4,300 for singles and \$8,550 for family plans.
- **Flexible Spending Accounts (FSA) Limits:** FSA contributions increase to \$3,300.
- **ROTH IRA Income Limits:** For single taxpayers, the maximum income allowed for a ROTH IRA contribution will be \$165,000. If you make between \$150,000 and \$165,000, your contribution will be limited.

Federal Tax Law Changes

- **Standard Deduction:** The standard deduction will be \$15,000 for single taxpayers and \$30,000 for couples filing jointly.
- **Gift Tax Exclusion:** The maximum amount you can gift to an individual before it counts toward your taxes will be \$19,000.
- **Lifetime Estate Tax Credit:** The new federal lifetime estate tax exemption will be \$13,990,000.

What Isn't Changing

- **IRA Contributions:** The annual contribution limit to an Individual Retirement Account (IRA) remains unchanged at \$7,000, along with the same \$1,000 catch-up limit for those over 49.
- **Tax Brackets & Rates:** Tax brackets remain unchanged for 2025, and rates experienced a minor inflation adjustment.

It's essential to stay informed about the upcoming 2025 financial changes and to consult with a qualified financial advisor and tax professional when appropriate. By actively monitoring these developments and seeking professional advice, you can make well-informed decisions that align with your long-term financial goals. Remember, proactive financial planning is helpful for achieving financial stability and confidence.

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