INTRODUCTION

In July, I posted a summary of the tax implications of the One Big Beautiful Bill Act (OBBBA) of 2025. OBBBA did not make direct changes to the rules for Employer-Sponsored and Individual Retirement Plans - the main changes affecting Retirement Plans for 2025 and beyond stem from the existing SECURE 2.0 Act and general IRS inflation adjustments.

KEY CHANGES TO RETIREMENT PLANS FOR 2026

CONTRIBUTION LIMITS

Plan Type	2026 Limit (Under Age 50)	2026 Age 50-59 and 64+ Catch-Up Limit	2026 Age 60-63 Catch-Up Limit
401(k), 403(b), 457(b)	$24,500	$8,000	$11,250
IRA (Traditional & Roth)	$7,500	$1,100	N/A
SIMPLE IRA	$17,000	$4,000	$5,250
SIMPLE IRA (business with <26 employees)	$18,100	$3,850	$5,250

INCOME LIMITS AFFECTING ROTH IRA ELIGIBILITY

Filing Status	Phase Out Begins (MAGI)	Phase Out Ends (MAGI)
Single / Head of Household	$153,000	$168,000
Married Filing Jointly	$242,000	$252,000
Married Filing Separately	$0	$10,000

- These limits are based on your MAGI (Modified Adjusted Gross Income), which is your adjusted gross income with certain deductions added back.
- Partial contributions: If your income is within the phase-out range, you can contribute a reduced amount.
- No contribution: If your MAGI is above the "phase-out ends" amount for your filing status, you are not eligible to contribute to a Roth IRA for that year.

INCOME LIMITS AFFECTING TRADITIONAL IRA DEDUCTIBILITY (IF COVERED BY WORK PLAN)

There are no income limits to contribute to a traditional IRA, but there are income limits that determine whether your contributions are tax-deductible, if you or your spouse have access to an Employer-Sponsored retirement plan. If you are not covered by an Employer-Sponsored retirement plan in 2026, there are no income limits to take a full tax deduction for your traditional IRA contributions. In this case, you can contribute the maximum amount allowed up to the annual limit, provided you have taxable compensation at least equal to your contribution amount.

If you or your spouse are covered by an Employer-Sponsored retirement plan in 2026, your tax deductibility will be affected if your income exceeds the values noted in the table below.

Filing Status	Fully Deductible (MAGI)	Phase-Out Range (MAGI)	Not Deductible (MAGI)
Single / Head of Household	Up to $81,000	$81,001 to $91,000	>$91,000

Married Filing Jointly (if both spouses have Employer Plans)	Up to $129,000	$129,001 to $149,000	>$149,000
Married Filing Jointly (if only one spouse has Employer Plan)	Up to $242,000	$242,001 to $252,000	>$252,000

- These limits are based on your MAGI (Modified Adjusted Gross Income), which is your adjusted gross income with certain deductions added back.
- Partial contributions: If your income is within the phase-out range, you can contribute a reduced amount.
- No contribution: If your MAGI is above the "phase-out ends" amount for your filing status, you are not eligible to contribute to a Roth IRA for that year.

MANDATORY ROTH CATCH-UP FOR HIGH EARNERS (EFFECTIVE 2026)

For participants aged 50 and over who earned more than $150,000 in FICA (Social Security) wages in the prior year, any catch-up contributions made in 2026 and beyond must be made to a **Roth 401(k)/403(b)/457(b) account** (after-tax). The option for pre-tax Catch-Up contributions is eliminated for this group.

If an employer's plan does not offer a Roth option, affected high-earning participants may be prohibited from making any catch-up contributions at all.

KEY 2025 CHANGE TO EMPLOYER-SPONSORED RETIREMENT PLANS

Beginning in 2025, newly established 401(k) and 403(b) plans are required to automatically enroll eligible employees at a specific contribution rate (at least 3%, up to 10%, with auto-escalation).

SUGGESTED ACTIONS

1. Review Your Employer-Sponsored Plan Contributions
   a. Assess your contributions already made for 2025. If you want to increase your total 2025 contribution, you must act quickly as those contributions must be made by December 31.
   b. Consider increasing your contribution percentage for 2026 to maximize the new, higher limits for the year.
   c. If you are leveraging Catch-Up contributions in an Employer-Sponsored plan in 2026, be aware of the new rules for plan participants who earned more than $150,000 in 2025.
2. For Individual Retirement accounts (traditional and Roth), build a contribution plan to ensure that you do not exceed the income limits or contribution limits The IRS allows you to make contributions to these plans until April 15th of next year, so it may make sense to wait until your final 2025 income information is available in early 2026 before making individual IRA contributions for 2025.
3. Check Your Plan's Options for 2026: Verify that your employer's plan supports the new contribution limits and offers a Roth option if you are a high earner aged 50+.
4. Consider consulting with a Professional: Speak with a financial advisor or plan administrator to align your contribution strategy with the new rules and your personal financial goals.

RESOURCES

1. https://www.eustaceadvisors.com/files/important-numbers-2025.pdf.
2. https://www.eustaceadvisors.com/files/important-numbers-2026.pdf.
3. https://www.eustaceadvisors.com/files/eustace_advisors_article_20250729_summary_of_tax_implications_of_the_obbba.pdf