



**Investment Solutions, Inc.**

# The Long Run Newsletter

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For Your Information



Investment Solutions, Inc.  
Long & Associates, P.C.  
Benefit Resource Group, Inc.  
107 East Main Street  
Hydro, Oklahoma 73048  
405-663-2918  
www.long-cpa.com

**Investment Solutions, Inc.**





## New Retirement Contribution Limits for 2025

The Internal Revenue Service (IRS) has released new limits for certain retirement accounts for the coming year.

Keep in mind that this update is for informational purposes only, so please consult with an accounting or tax professional before making any changes to your 2025 tax strategy. You can also contact your financial professional, who may be able to provide you with information about the pending changes.

### Individual Retirement Accounts (IRAs)

Traditional IRA contribution limits will remain at \$7,000 for 2025. Catch-up contributions for those over age 50 also remain at \$1,000, bringing the total limit to \$8,000.

Remember, once you reach age 73, you must begin taking required minimum distributions from a Traditional IRA in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

### Roth IRAs

The income phase-out range for Roth IRA contributions increases to \$150,000-\$165,000 for single filers and heads of household, a \$4,000 increase. For married couples filing jointly, phase-out will be \$236,000-\$246,000, a \$6,000 increase. Married individuals filing separately see their phase-out range remain at \$0-10,000.

To qualify for the tax-free and penalty-free withdrawal of earnings, Roth 401(k) distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawals can also be taken under certain other circumstances, such as the owner's death.

## Workplace Retirement Accounts

Those with 401(k), 403(b), 457 plans, and similar accounts will see a \$500 increase for 2025, the limit rising to \$23,500. Those aged 50 and older will continue to have the ability to contribute an extra \$7,500, bringing their total limit to \$31,000.

Once you reach age 73 you must begin taking required minimum distributions from your 401(k) or other defined-contribution plans in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

### SIMPLE Accounts

A \$500 increase in limits for 2025 gives individuals contributing to this incentive match plan a \$16,500 spotlight.

Much like a traditional IRA, once you reach age 73, you must begin taking required minimum distributions from a SIMPLE account in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

As a reminder, this article is for informational purposes only. Consult with an accounting or tax professional before making any changes to your 2025 tax strategy.

## What's New for Social Security?

Whether you're applying for Social Security in the future or currently receiving benefits, there are some important changes to earnings limits, Medicare premiums, and other differences to keep in mind. Ready to learn more? Read on.

### Ready for a Cost-of-Living (COLA) increase?

That's right! Due to an increase in the Consumer Price Index (CPI-W), the Social Security Administration (SSA) has made a 2.5-percent COLA Adjustment.<sup>1</sup>

### What about Tax Caps?

Employees everywhere will be happy to hear that the cap on wages subject to Social Security withholdings has increased to \$176,100.<sup>1</sup>

### Any change to earning limits?

If a working individual starts receiving Social Security payments before full retirement age, the Social Security Administration will deduct \$1 in benefits for each \$2 that person earns above an annual limit. In 2025, the income limit is \$23,400.<sup>1</sup>

During the year in which a worker reaches full retirement age, Social Security benefit reduction falls to \$1 in benefits for every \$3 in earnings. For 2025, the limit is \$62,160 before the month the worker reaches full retirement age.<sup>1</sup>

## Are Medicare Part B Premiums Affected?

Social Security recipients will see a \$10.30 increase in Part B premiums. But Medicare beneficiaries who file joint tax returns and earn \$212,000 or more in 2025 may pay a higher premium.<sup>2</sup>

## How much do I need to earn for one Social Security “credit”?

For 2025, you'll need to earn \$1,810 to earn one “credit” toward Social Security and Medicare, up from \$1,730 in 2024. What remains the same? You can only earn four credits each year, and you must earn at least 40 credits in order to qualify for benefits.<sup>3</sup>

For many, Social Security may be an important source of income during their “second act.” If changes to Social Security give you pause or make you question if you are making the most of your benefits, a qualified financial professional may be just the person you need to help you realize your retirement strategy’s full potential.

Citations:

1. SSA.gov, 2024
2. CMS.gov, 2024
3. SSA.gov, 2024

## For Your Information

- We are open from 9:00 a.m. – 5:00 p.m. Monday through Thursday, and 9:00 a.m. – noon on Fridays.
- We are open during the lunch hour.
- We have a mail drop on the far north door of the building. If you have any information you would like to deliver after normal business hours please drop it off there.
- We will be closed Tuesday, December 24th and Wednesday, December 25th for Christmas.

December is a simple wish that brings  
spectacular moments

“Winter is the time for comfort, for good food and warmth, for the touch of a friendly hand and for a talk beside the fire: it is time for home.” — Edith Sitwell





MERRY  
*Christmas*

**Long & Associates, P.C.**

Assisting you with accounting, tax preparation, and tax planning

**Investment Solutions, Inc.**

Advising you and creating strategies for investment and retirement planning

**Benefit Resource Group, Inc.**

Handling employee benefits and other business services

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**Whether you need one of these services, or all three, you'll work with the same professional, knowledgeable staff with our Comprehensive Solutions Program**

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