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Beyond the Numbers: Leveraging the Plan Contribution Limits

'Tis the season... for updated retirement plan contribution limits, that is! Just a few weeks ago, the IRS released updated contribution limits for the upcoming year. The increased limits don't just provide an opportunity for participants to boost their retirement savings; they also create space for plan sponsors to revisit and maximize their own strategies. Here are a few key takeaways as you prepare to assist your clients in the new year.

What's Changing: 2026 Contribution Limits: First, let's take a quick look at the numbers. The elective deferral limit for 401(k) and 403(b) plans, and the 457(b) deferral limit for governmental 457(b) plans will increase to $24,500, up from $23,500 in 2025. Additionally, the annual catch-up contribution limit for participants who will be aged 50 or older in 2026 will increase to $8,000, up from $7,500. For participants ages 60, 61, 62, and 63, the higher catch-up limit will remain $11,250. (Although not a limit change, plans should also be aware of the Roth catch-up contribution requirement for high earners in 2026 and beyond.)

Further, in 2026, the limit on the annual benefit under a defined benefit plan will increase from $280,000 to $290,000; the limit on annual additions under a defined contribution plan will increase from $70,000 to $72,000 (catch-up contributions excluded).

Why These Changes Matters: With increased limits come increased opportunities for plan participants, sponsors, and advisors. Participants, for example, can begin planning how they will push themselves to the higher limits and increase their retirement readiness. Advisors should work with plan sponsors to determine how the increased limits may impact plan administration. For traditional 401(k) plans, your clients may need to consider whether the increased deferral limits could impact nondiscrimination testing results. Sponsors who offer safe-harbor, matching, and profit-sharing contributions should monitor matching formulas and safe-harbor contributions to determine whether adjustments are necessary.

Additionally, as advisors, encouraging your clients to communicate with plan participants is crucial. The release of the updated limits creates the perfect opening for employers to emphasize the importance of saving for retirement and restate strategies for maximizing retirement savings. Similarly, it may be prudent to work with clients to verify payroll service providers, TPAs, and recordkeepers for their plans are all working together to ensure seamless administration in the next plan year.

For plan advisors, the 2026 contribution limit increases offer both a timely reminder to check in on plan operations and a renewed opportunity to help participants boost long-term savings. With thoughtful guidance, both employers and participants can successfully leverage the new limits to maximize savings success.

Reminders:

- December 31, 2025: For participants who already have an RMD obligation (i.e., after their first RMD year), the RMD generally must be distributed by 12/31.
- December 31, 2025: The deadline to execute a discretionary plan amendment generally is the end of the plan year in which the change is operationally put into effect. For calendar-year plans, that's 12/31.
- December 31, 2025: End of the 12-month correction period for failed 2024 ADP/ACP tests (qualification deadline).

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