

COLA Can Sweeten Retirement And Health Accounts

It's usually a good idea to contribute to the tax-advantaged retirement and health care accounts available to you. And here's some good news: In 2024, you can put even more into these accounts.

The Internal Revenue Service (IRS) announced these cost-of-living adjustments:

- **Individual Retirement Account (IRA)** – You can contribute up to \$7,000 to an IRA for 2024, up from \$6,500 this year. The “catch-up” contribution for individuals 50 or older remains \$1,000. You can always “max out” on a traditional IRA, but some of your contributions may not be tax deductible, depending on your income. However, all your earnings can grow on a tax-deferred basis. With a Roth IRA, you might not be able to put in the full \$7,000, depending on your income, and your contributions are not tax-deductible, but your earnings can grow tax free, provided you don't start taking withdrawals until you're 59½ and you've had your account at least five years.

- **401(k)** – You can contribute up to \$23,000 to your 401(k) in 2024, up from \$22,500 this year. The limit on catch-up contributions for people 50 and older will remain \$7,500. These 401(k) limits also apply to 403(b) plans (for employees of nonprofits and schools) and 457(b) plans (for state and local government employees). Your 401(k) contributions are pre-tax and your earnings grow tax deferred. If you have a Roth 401(k) option, your contributions are made after taxes, but your earnings can grow tax free if you meet the same conditions as a Roth IRA (you've had the account at least five years and don't take withdrawals until you're 59½).

- **Health Savings Account (HSA)** – The 2024 annual HSA contribution limit is \$4,150 for individuals (up from \$3,850 in 2023), and \$8,300 for family coverage (up from \$7,750 in 2023). HSA funds

can be used for out-of-pocket health care costs, and as long as the money is used for qualified expenses, HSA withdrawals are tax free. And the money in your account can roll over year after year — it's not “use it or lose it.” In fact, you could carry the funds all the way into retirement and use them for qualified medical expenses, if necessary.

To contribute to an HSA, you need to be part of a high deductible health plan (HDHP). The 2024 minimum annual deductible is \$1,600 for self-only HDHP coverage (up from \$1,500 in 2023) and \$3,200 for family HDHP coverage (up from \$3,000 in 2023). And the 2024 limit on out-of-pocket expenses (including deductibles, copayments and coinsurance, but not premiums) is \$8,050 for self-only HDHP coverage (up from \$7,500 in 2023), and \$16,100 for family HDHP coverage (up from \$15,000 in 2023).

- **Excepted Benefit Health Reimbursement Arrangement (EBHRA)** – Your employer may offer an EBHRA, which reimburses employees, tax free, for “excepted” benefits, such as dental and vision coverage. The maximum contribution amount for 2024 is \$2,100, up from \$1,950 in 2023.

Of course, the degree to which these cost-of-living adjustments will affect you depends on your individual situation and how much you can afford to contribute to your various retirement and health accounts. But, at a minimum, it's useful to stay up to date on the changing contribution limits of plans that can have a big impact on your life.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

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