



Flashpoint: IRS Announces 2021 Cost of Living Adjustments to Various Retirement Plan Limits


The IRS just released the cost of living adjustments for various retirement plan limitations that will take effect on January 1, 2021. We aren't seeing a lot of increases for 2021. The key limits that increased (shown below in ***bold italics***) include the compensation that is taken into account for plan purposes, the total amount that can be contributed on behalf of any participant in a defined contribution (including 401(k)) plan, and the Social Security Taxable Wage Base. The 2021 and prior year limits are as follows:

	For Calendar Year	
	2020	2021
Maximum Defined Benefit Plan Benefit (IRC §415(b)) (<i>applies to limitation years <u>ending</u> in indicated year</i>)	\$230,000	\$230,000
Maximum Defined Contribution Annual Addition (IRC §415(c)) (<i>applies to limitation years <u>ending</u> in indicated year</i>)	\$57,000	<i>\$58,000</i>
Salary Deferral Limit (IRC §402(g))	\$19,500	\$19,500

Catch-up Limit for 401(k), 403(b), 457 plans (<i>applies to <u>calendar</u> year</i>)	\$6,500	\$6,500
HCE Compensation (<i>applies to lookback years in indicated year</i>)	\$130,000	\$130,000
Maximum Compensation for Retirement Plan Purposes (IRC §401(a)(17)) (<i>applies to plan years <u>beginning</u> in indicated year</i>)	\$285,000	\$290,000
Key Employee: Officer	\$185,000	\$185,000
Key Employee: 1% Owner	\$150,000	\$150,000
Social Security Taxable Wage Base for OASDI Contributions	\$137,700	\$142,800
457(b) Contribution Limit	\$19,500	\$19,500
SIMPLE Salary Deferral Limit	\$13,500	\$13,500
SIMPLE Catch-up Limit	\$3,000	\$3,000
IRA Contribution Limit	\$6,000	\$6,000
SEP Threshold	\$600	\$650
ESOP: 5-year Distribution Factor	\$230,000	\$230,000
ESOP: Account Balance	\$1,150,000	\$1,165,000

Premiums for QLACs	\$135,000	\$135,000
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We wish all of you a better 2021! If you have any questions, please let us know. Remember: we are your ERISA solution!



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