

2021 Annual Plan Limits



The new 2021 limits provide opportunities for retirement plan sponsors and their employees.

	2021	2020	2019
Contributions and Benefit Limits			
Defined Contribution Plans	\$58,000	\$57,000	\$56,000
Defined Benefit/Cash Balance Plan Annuity	\$230,000	\$230,000	\$225,000
Cash Balance Maximum Lump Sum	\$3,000,000	\$3,000,000	\$2,900,000
401(k), 403(b), and 457 Plan Elective Deferrals	\$19,500	\$19,500	\$19,000
SIMPLE Plan Elective Deferrals	\$13,500	\$13,500	\$13,000
IRA (Traditional and Roth)	\$6,000	\$6,000	\$6,000
Qualified Longevity Annuity Contract (QLAC)	\$135,000	\$135,000	\$130,000
ESOP amount to determine lengthening of the 5-year Distribution Period ¹	\$230,000	\$230,000	\$225,000
ESOP Maximum Balance subject to the 5-year Distribution Rule ²	\$1,165,000	\$1,150,000	\$1,130,000
Catch-Up Contributions			
401(k), 403(b), and 457 Plans	\$6,500	\$6,500	\$6,000
SIMPLE Plans	\$3,000	\$3,000	\$3,000
IRA	\$1,000	\$1,000	\$1,000
Other			
Maximum Considered Compensation	\$290,000	\$285,000	\$280,000
Social Security Taxable Wage Base (TWB)	\$142,800	\$137,700	\$132,900
Definition of Highly Compensated Employee	\$130,000	\$130,000	\$125,000
Definition of Key Employee	\$185,000	\$185,000	\$180,000
SEP Minimum Compensation	\$650	\$600	\$600

¹ The dollar amount used to determine the lengthening of the 5-year distribution period remains unchanged at \$230,000.

² §409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5-year distribution period is increased from \$1,150,000 to \$1,165,000.

Additional information:

- The term “annual additions” generally means the sum for any year of employer contributions, employee contributions, and forfeitures.
- For plans that include salary deferral features, individuals who are age 50 and older by the end of the calendar year may make catch-up contributions in addition to the annual addition limit, if catch-up contributions are permitted under the plan.

Notes for off-calendar plan years:

- Deferral limits are on a calendar year basis, regardless of plan year.
- Use the taxable wage base (TWB) in effect at the beginning of the plan year.
- Use the annual compensation limit in effect at the beginning of the plan year.
- Use the annual additions limit in effect at the end of the calendar year.

We're Here to Help!

- Would you like to learn more about the new limits and how they apply to your plan?
- Have you revisited your plan design lately to optimize tax efficiency?
- Are you looking to increase your pre-tax retirement deferrals?

There may be opportunities you're missing for your business and your employees to achieve your retirement savings goals. Let's connect!

Contact Your Advisor

NAME

PHONE

EMAIL

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