

Commco Comments

Timely Information and Updates for Employers and Retirement Plan Sponsors

2020 Retirement Planning Key Numbers

The Internal Revenue Service and Social Security Administration have announced the retirement plan benefit limits for 2020. Many of the retirement planning limitations will increase in the coming year, including salary deferral limits and “catch up” contributions if age 50 or older to employer-sponsored plans. IRA contribution limits will remain unchanged. Also important to note, income phase-out ranges for IRA contributions are increasing across all tax filing categories.

Salary Deferral Limits	2019	2020
401(k) plans, 403(b) plans, 457(b) plans, and SAR-SEPs	Lesser of \$19,000 or 100% of compensation, plus \$6,000 “catch up” if age 50 or older	Lesser of \$19,500 or 100% of compensation, plus \$6,500 “catch up” if age 50 or older
SIMPLE 401(k) plans and SIMPLE IRA plans	Lesser of \$13,000 or 100% of compensation, plus \$3,000 “catch up” if age 50 or older	Lesser of \$13,500 or 100% of compensation, plus \$3,000 “catch up” if age 50 or older

IRA Contribution Limits	2019	2020
Traditional and Roth IRAs	Lesser of \$6,000 or 100% of earned income, plus \$1,000 “catch up” if age 50 or older	Lesser of \$6,000 or 100% of earned income, plus \$1,000 “catch up” if age 50 or older

Defined Contribution (qualified, 403(b), and SEP) Plan Limits	2019	2020
Annual total addition limit per participant	Lesser of \$56,000 or 100% (25% for SEP) of participant’s compensation	Lesser of \$57,000 or 100% (25% for SEP) of participant’s compensation

Retirement plan compensation limits	2019	2020
Annual compensation that can be considered in calculations	\$280,000	\$285,000
Compensation threshold used to determine a highly compensated employee	\$125,000 earned in 2018	\$130,000 earned in 2019
Compensation threshold used to determine a key employee in a top-heavy plan	\$1 for more-than-5% owners \$180,000 for officers \$150,000 for more-than-1% owners	\$1 for more-than-5% owners \$185,000 for officers \$150,000 for more-than-1% owners

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What is the “catch up” amount if age 50 or older for a 401(k) in 2020?



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Income phase-out* range for deductibility of Traditional IRA contributions	2019	2020
If covered by an employer plan and filing as:		
Single/Head of household	\$64,000 - \$74,000	\$65,000 - \$75,000
Married filing jointly	\$103,000 - \$123,000	\$104,000 - \$124,000
Married filing separately	\$0 - \$10,000	\$0 - \$10,000
If not covered by an employer plan, but filing joint return with a spouse who is covered by a plan	\$193,000 - \$203,000	\$196,000 - \$206,000

Income phase-out* range for ability to fund a Roth IRA	2019	2020
Single/Head of household	\$122,000 - \$137,000	\$124,000 - \$139,000
Married filing jointly	\$193,000 - \$203,000	\$196,000 - \$206,000
Married filing separately	\$0 - \$10,000	\$0 - \$10,000

This information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. You should discuss any tax or legal matters with the appropriate professional.

**A phase-out is the gradual reduction of a tax credit as a taxpayer approaches the income limit to qualify for that credit. If your income is below the bottom of the phase-out range, you may qualify for the full credit. If it is above the top of the range, you may not qualify for any of the credit. Incomes within the phase-out range may qualify for a partial credit, with the percentage of credit received generally decreased as income increases.*