

# Commco Comments

Timely Information and Updates for Employers and Retirement Plan Sponsors

## 2021 Retirement Planning Key Numbers

The Internal Revenue Service and Social Security Administration have announced the retirement plan benefit limits for 2021. 401(k) salary deferral and IRA contribution limits will remain unchanged from their 2020 levels. However, income phase-out ranges and overall annual plan addition limits, as well as the amount of annual compensation that can be considered in plan calculations, have increased slightly.

Salary Deferral Limits	2020	2021
<b>401(k) plans, 403(b) plans, 457(b) plans, and SAR-SEPs</b>	Lesser of \$19,500 or 100% of compensation, plus \$6,500 "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
<b>SIMPLE 401(k) plans and SIMPLE IRA plans</b>	Lesser of \$13,500 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	2020	2021
<b>Traditional and Roth IRAs</b>	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	2020	2021
<b>Annual total addition limit per participant</b>	Lesser of \$57,000 or 100% (25% for SEP) of participant's compensation	Lesser of \$58,000 or 100% (25% for SEP) of participant's compensation

Retirement plan compensation limits	2020	2021
<b>Annual compensation that can be considered in calculations</b>	\$285,000	\$290,000
<b>Compensation threshold used to determine a highly compensated employee</b>	\$130,000 earned in 2019	\$130,000 earned in 2020
<b>Compensation threshold used to determine a key employee in a top-heavy plan</b>	\$1 for more-than-5% owners \$185,000 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 does it mean if  
your income is within a  
"phase-out" range?



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<b>Income phase-out* range for deductibility of Traditional IRA contributions</b>	<b>2020</b>	<b>2021</b>
<b>If covered by an employer plan and filing as:</b>		
Single/Head of household	\$65,000 - \$75,000	\$66,000 - \$76,000
Married filing jointly	\$104,000 - \$124,000	\$105,000 - \$125,000
Married filing separately	\$0 - \$10,000	\$0 - \$10,000
<b>If not covered by an employer plan, but filing joint return with a spouse who is covered by a plan</b>	\$196,000 - \$206,000	\$198,000 - \$208,000

<b>Income phase-out* range for ability to fund a Roth IRA</b>	<b>2020</b>	<b>2021</b>
<b>Single/Head of household</b>	\$124,000 - \$139,000	\$125,000 - \$140,000
<b>Married filing jointly</b>	\$196,000 - \$206,000	\$198,000 - \$208,000
<b>Married filing separately</b>	\$0 - \$10,000	\$0 - \$10,000

*\*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.*

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