
2021 INFLATION-ADJUSTED RETIREMENT PLAN AMOUNTS

The Internal Revenue Code (IRC) provides for dollar limitations on benefits and contributions under qualified retirement plans. It also requires that the IRS Commissioner annually adjust these limits for cost-of-living increases. The following information consists of limitations on various types of retirement plan provisions that have been inflation-adjusted for 2021. Please note that some of these amounts remain unchanged from 2020. The section of the IRC from which the limitation is outlined is referenced in parenthesis.

If you would like more specific information on retirement plan provisions, please contact our office.

	<u>2020</u>	<u>2021</u>
<u>Contribution Limits</u>		
401(k) plan limitation on elective deferrals [Section 402(g)(1)]	\$19,500	\$19,500
Limitation on deductible contributions to a defined contribution plan [Section 415(c)(1)(A)]	\$57,000	\$58,000
Limit on compensation deferred under a SIMPLE retirement plan [408(p)(2)(E)]	\$13,500	\$13,500
Limit on annual compensation [Sections 401(a)(17) and 404(l)]	\$285,000	\$290,000
<u>Catching Up</u>		
Under EGTRRA certain individuals aged 50 or over can now make so-called ‘catch up’ contributions, in addition to the above limits. Those new items are		
Catch up contributions:	\$6,500	\$6,500
SIMPLE “Catch up” deferral	\$3,000	\$3,000
<u>Compensation Limits</u>		
Limit on annual benefit from a defined benefit plan [Section 415(b)(1)(A)]	\$230,000	\$230,000
Minimum compensation amount for SEP coverage [Section 408(k)(2)(C)]	\$600	\$650
Minimum compensation amount for determining a “control employee” [Section 1.61-- 21(f)(5)(i)]	\$115,000	\$115,000
Limit for classifying key employees who are officers in a top heavy plan [Section 416(i)(1)(A)(i)]	\$185,000	\$185,000
Limit on annual compensation for eligible participants in a SEP plan [Section 408(k)(3)(C)]	\$285,000	\$290,000
Earnings limitation used to define highly compensated employees [Section 414(q)(1)(B)]	\$130,000	\$130,000
Dollar amount to determine the maximum account balance in an ESOP subject to a 5-year distribution period [409(o)(1)(C)(ii)]	\$1,150,000	\$1,165,000
Dollar amount used to determine the lengthening of the 5-year distribution period of an ESOP [409(o)(1)(C)(ii)]	\$230,000	\$230,000