

2018 increases announced for retirement plan dollar limits

By Mark E. Brossman, Esq., and Susan E. Bernstein, Esq., *Schulte Roth & Zabel**

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The Secretary of the Treasury announced Oct. 19 the 2018 limits for qualified retirement plans and IRAs for 2018 based on cost of living increases. IRS Notice 2017-64 sets forth the annual dollar limitations effective Jan. 1, 2018, as required under Section 415(d) of the Internal Revenue Code.

The Consumer Price Index for all Urban Consumers is the benchmark used to determine the index. As a result, many of the 2018 dollar limits will increase, as noted in the accompanying chart, and a few limits will remain flat.

For 2018, employees will be able to defer up to \$18,500 into their qualified defined contribution plans, and an additional \$6,000 for those over the age of 50, for a combined total of \$24,500.

Highly compensated employees who earn more than \$120,000 and who participate in both qualified and non-qualified plans will have a slightly greater amount of their compensation allocated to the qualified plan with the increase of the compensation limit from \$270,000 to \$275,000.

Employers and plan sponsors of qualified retirement plans should communicate these limits for 2018 to plan participants.

Schulte Roth & Zabel is available to advise you on updating your enrollment materials, summary plan descriptions, employee handbooks and other employee communications. If you have any questions about the new limits or any other employee benefit matters, please feel free to contact one of the authors.

IRS Limits	Internal Revenue Code	2014	2015	2016	2017	2018
Elective Deferral Limit for 401(k), 403(b) and 457(b) plans	§ 402(g)(1) § 457(e)(15)	\$17,500	\$18,000	\$18,000	\$18,000	\$18,500
Catch-Up Contribution Limit for Age 50+	§ 414(v)(2)(B)(i)	\$5,500	\$6,000	\$6,000	\$6,000	\$6,000
Annual Compensation Limit for Qualified Plans	§ 401(a)(17), § 404(l), § 408(k)(3)(C)	\$260,000	\$265,000	\$265,000	\$270,000	\$275,000
Defined Contribution Plan Limit on Annual Additions	§ 415(c)(1)(A)	\$52,000	\$53,000	\$53,000	\$54,000	\$55,000
Highly Compensated Employee Limit	§ 414(q)(1)(B)	\$115,000	\$120,000	\$120,000	\$120,000	\$120,000
Defined Benefit Plan Maximum Annual Benefit	§ 415(b)(1)(A)	\$210,000	\$210,000	\$210,000	\$215,000	\$220,000
Key Employee Limit for Top Heavy Purposes	§ 416(j)(1)(A)(i)	\$170,000	\$170,000	\$170,000	\$175,000	\$175,000
Social Security Taxable Wage Base	OASDI	\$117,000	\$118,500	\$118,500	\$127,200	\$128,700
IRA Contributions	§ 219(b)(5)(A), (D)	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500
IRA Catch-up Contribution Limit for Age 50+	§ 219(b)(5)(B)	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000

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ABOUT THE AUTHORS



Mark E. Brossman (L), a partner at **Schulte Roth & Zabel** in New York, is co-head of the firm's employment and employee benefits group. He can be reached at mark.brossman@srz.com.

Susan E. Bernstein (R) is special counsel in the firm's employment and employee benefits group. She can be reached at susan.bernstein@srz.com. This expert analysis was first published Oct. 19 on Schulte Roth's website. Republished with permission.

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