

# Alert

## 2018 Increases Announced for Retirement Plan Dollar Limits

November 27, 2017

The Secretary of the Treasury announced 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 chart below, 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.

| IRS Limits  | Internal Revenue Code Section                | 2014      | 2015      | 2016      | 2017      | 2018             |
|---|--|-----------|-----------|-----------|-----------|------------------|
| Elective Deferral Limit for 401(k), 403(b) and 457(b) Plans | § 402(g)(1)<br>§ 457(e)(15)                  | \$17,500  | \$18,000  | \$18,000  | \$18,000  | <b>\$18,500</b>  |
| Catch-Up Contribution Limit for Age 50+                     | § 414(v)(2)(B)(i)                            | \$5,500   | \$6,000   | \$6,000   | \$6,000   | <b>\$6,000</b>   |
| Annual Compensation Limit for Qualified Plans               | § 401(a)(17),<br>§ 404(l),<br>§ 408(k)(3)(C) | \$260,000 | \$265,000 | \$265,000 | \$270,000 | <b>\$275,000</b> |
| Defined Contribution Plan Limit on Annual Additions         | § 415(c)(1)(A)                               | \$52,000  | \$53,000  | \$53,000  | \$54,000  | <b>\$55,000</b>  |
| Highly Compensated Employee Limit                           | § 414(q)(1)(B)                               | \$115,000 | \$120,000 | \$120,000 | \$120,000 | <b>\$120,000</b> |
| Defined Benefit Plan Maximum Annual Benefit                 | § 415(b)(1)(A)                               | \$210,000 | \$210,000 | \$210,000 | \$215,000 | <b>\$220,000</b> |
| Key Employee Limit for Top Heavy Purposes                   | § 416(i)(1)(A)(i)                            | \$170,000 | \$170,000 | \$170,000 | \$175,000 | <b>\$175,000</b> |

| IRS Limits                                  | Internal Revenue Code Section | 2014      | 2015      | 2016      | 2017      | 2018             |
|---|-------------------------------|-----------|-----------|-----------|-----------|------------------|
| Social Security Taxable Wage Base           | OASDI                         | \$117,000 | \$118,500 | \$118,500 | \$127,200 | <b>\$128,400</b> |
| IRA Contributions                           | § 219(b)(5)(A), (D)           | \$5,500   | \$5,500   | \$5,500   | \$5,500   | <b>\$5,500</b>   |
| IRA Catch-up Contribution Limit for Age 50+ | § 219(b)(5)(B)                | \$1,000   | \$1,000   | \$1,000   | \$1,000   | <b>\$1,000</b>   |

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

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