

## Alert

### What Are the Retirement Plan Dollar Limits for 2020?

November 6, 2019

The Secretary of the Treasury announced the 2020 limits for qualified retirement plans and IRAs based on cost of living increases. The Consumer Price Index for All Urban Consumers is the benchmark used to determine the index. As a result, most of the 2020 dollar limits will increase as noted in the chart below. IRS Notice 2019-59 sets forth the annual dollar limitations effective Jan. 1, 2020, as required under Section 415(d) of the Internal Revenue Code. For 2020, employees will be able to defer up to \$19,500 into their qualified defined contribution plans, and an additional \$6,500 for those over the age of 50, for a combined total of \$26,000. Highly compensated employees who earn more than \$130,000 and who participate in both qualified and nonqualified plans will have a slightly greater amount of their compensation allocated to the qualified plan with the increase of the compensation limit from \$280,000 to \$285,000.

IRS LIMITS	Internal Revenue Code Section	2017	2018	2019	2020
Elective Deferral Limit for 401(k), 403(b) and 457(b) plans	§ 402(g)(1) § 457(e)(15)	\$18,000	\$18,500	\$19,000	<b>\$19,500</b>
Catch-Up Contribution Limit for Age 50+	§ 414(v)(2)(B)(i)	\$6,000	\$6,000	\$6,000	<b>\$6,500</b>
Annual Compensation Limit for Qualified Plans	§ 401(a)(17), § 404(l), § 408(k)(3)(C)	\$270,000	\$275,000	\$280,000	<b>\$285,000</b>
Defined Contribution Plan Limit on Annual Additions	§ 415(c)(1)(A)	\$54,000	\$55,000	\$56,000	<b>\$57,000</b>
Highly Compensated Employee Limit	§ 414(q)(1)(B)	\$120,000	\$120,000	\$125,000	<b>\$130,000</b>
Defined Benefit Plan Maximum Annual Benefit	§ 415(b)(1)(A)	\$215,000	\$220,000	\$225,000	<b>\$230,000</b>
Key Employee Limit for Top Heavy Purposes	§ 416(i)(1)(A)(i)	\$175,000	\$175,000	\$180,000	<b>\$185,000</b>

Social Security Taxable Wage Base	OASDI	\$127,200	\$128,700	\$132,900	<b>\$137,700</b>
IRA Contributions	§ 219(b)(5)(A), (D)	\$5,500	\$5,500	\$6,000	<b>\$6,000</b>
IRA Catch-Up Contribution Limit For Age 50+	§ 219(b)(5)(B)	\$1,000	\$1,000	\$1,000	<b>\$1,000</b>

Employers and Plan Sponsors of qualified retirement plans should communicate these limits for 2020 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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