

## ALERTS

## What Are the Retirement Plan Dollar Limits for 2021?

**October 27, 2020**

The Secretary of the Treasury announced the 2021 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. With a cost-of-living increase of only 1.18%, most of the 2021 dollar limits will not increase as noted in the chart on page 2. IRS Notice 2020-79 sets forth the annual dollar limitations effective Jan. 1, 2021, as required under Section 415(d) of the Internal Revenue Code. For 2021, the \$19,500 cap on employee deferrals remains unchanged, as does the additional \$6,500 for those over the age of 50. Thus, the combined total remains at \$26,000 for 2021. 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 \$285,000 to \$290,000.

Employers and Plan Sponsors of qualified retirement plans should communicate these limits for 2021 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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## Practices

**EMPLOYMENT AND EMPLOYEE BENEFITS**

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