



COMPLIANCE BULLETIN

IRS Announces 2021 Plan Limitations

The IRS has recently announced the qualified plan limitations for 2021, which are determined based on annual increases in the cost of living index. Because there was only a modest increase in the index, most of the plan limits have not changed from 2020.

	2020	2021
401k Deferral Limit	\$19,500	\$19,500
The maximum amount that can be contributed by and for a participant to a defined contribution plan (i.e. profit sharing or 401(k) plan)	\$57,000	\$58,000
The maximum amount of compensation taken into account for plan purposes	\$285,000	\$290,000
The catch-up contribution for participants who have attained age 50	\$6,500	\$6,500
The compensation-based definition of highly compensated employee (HCE)	\$130,000	\$130,000
The maximum annual benefit payable from a defined benefit plan	\$230,000	\$230,000
The definition of "key employee" will include an officer making more than:	\$185,000	\$185,000

Additionally, the Social Security taxable wage base will increase from \$137,700 to \$142,800. Though not a qualified plan limitation per se, this will have an effect on the calculations in a plan that uses permitted disparity as the allocation methodology.

For any questions regarding your qualified plan, please contact Innovative Benefit Planning at 856-242-3330 or resources@iifria.com.

This Compliance communication is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel for legal advice.