

November 2016

IRS Announces Retirement Plan Benefits & Contribution Limits for 2017

Annual Benefit Limit for Defined Benefit Plans (\$215,000)

This limitation on the annual benefit under a defined benefit plan payable as a straight life annuity benefit for ages 62 to 65 is equal to the lesser of 100% of the average annual compensation, or \$215,000, with indexing for future cost of living. (The dual defined benefit and defined contribution limit was repealed effective January 1, 2002, so plan sponsors can fund both a defined benefit and a defined contribution plan to their full individual limits). This statutory limit was \$210,000 for 2016 and has increased to \$215,000 for 2017.

Annual Addition Limit for Defined Contribution Plans (\$54,000)

Since the enactment of EGTRRA, defined contribution plans have been subject to an "annual addition" limit for each participant that cannot exceed the lesser of 100% of compensation, or \$54,000. The statutory limit was \$53,000 for 2016 and has increased to \$54,000 for 2017.

Limit on Pre-Tax Salary Deferrals to Retirement Plans (\$18,000)

Organizations that provide for salary deferrals into Section 401(k) plans, Section 403(b) arrangements and Section 457(b) plans are subject to the statutory limit of \$18,000. The statutory limit was to \$18,000 for 2016 and remains unchanged for 2017.

SIMPLE Plan Contribution Limit (\$12,500)

The statutory limit on contributions to SIMPLE plans under Section 408(p)(2)(E) is \$12,500. This statutory limit was \$12,500 for 2016 and remains unchanged for 2017.

Catch-Up Contributions (\$6,000 for 401 (k), SEPs, 403(b) and 457(b) plans; \$3,000 for SIMPLE plans)

The additional catch-up contribution, which is allowed for individuals age 50 and over in a 401(k) plan, 403(b) plan, 457(b) plan, or a Simplified Employer Pension (SEP), was \$6,000 for 2016 and unchanged for 2017. In addition, the catch-up contribution for SIMPLE IRAs and SIMPLE 401(k) plans was \$3,000 for 2016 and remains unchanged for 2017.

Highly Compensated Employee Dollar Limitation (\$125,000)

The dollar limit for determining who is a highly compensated employee under Section 414(q) was \$120,000 for 2016 and has increased to \$125,000 for 2017.

Key Employees in Top-Heavy Plans (\$175,000)

In determining who is a key employee under top-heavy plans, Section 416(i) includes officers with compensation greater than \$175,000. That dollar limitation was \$170,000 for 2016 and has increased to \$175,000 for 2017.

Limit on Compensation Taken Into Account in Retirement Plan (\$270,000)

The maximum amount of compensation that can be taken into account for qualified plan purposes was \$265,000 for 2016 and has increased to \$270,000 for 2017.

Social Security Wage Base (\$127,200)

The Social Security wage base was \$118,500 beginning in 2016 and has increased to \$127,200 for 2017.

IRAs (\$5,500)

The statutory limit on IRA contributions was \$5,500 in 2016 and remains unchanged for 2017.

This information is intended for educational purposes only and should not be construed as a recommendation.

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For additional information about our services, please contact Kyle Frigon at 404-733-3256 or via email at: kfrigon@cherrybekaertbenefits.com.