

# IRS Announces Retirement Plan Benefits & Contribution Limits for 2020

## Annual Benefit Limit for Defined Benefit Plans (\$230,000)

This limitation on the annual benefit payable as a straight life annuity under a defined benefit plan, for ages 62 to 65, is equal to the lesser of 100% of the average annual compensation, or \$230,000, 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 *(The dual defined benefit and defined contribution limit was repealed effective January 1, 2002, so plan sponsors can fund both a defined benefit and a defined contribution plan to their full individual limits).* This statutory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 \$225,000 for 2019 and has been increased to \$230,000 for 2020.

## Annual Addition Limit for Defined Contribution Plans (\$57,000)

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 \$57,000. This statutory limit was \$56,000 for 2019 and has been increased to \$57,000 for 2020.

## Limit on Pre-Tax Salary Deferrals to Retirement Plans (\$19,500)

Salary deferrals into Section 401(k) plans, Section 403(b) arrangements and Section 457(b) plans are subject to a statutory limit under Section 402(g)(1) of \$19,500. This statutory limit was \$19,000 for 2019 and has been increased to \$19,500 for 2020.

## SIMPLE Plan Contribution Limit (\$13,500)

The statutory limit on contributions to SIMPLE plans under Section 408(p)(2)(E) is \$13,500. This statutory limit was \$13,000 for 2019 and has been increased to \$13,500 for 2020.

## Catch-Up Contributions (\$6,500 for 401(k), SEPs, 403(b) and 457(b) plans; \$3,000 for SIMPLE plans)

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) under Section 414(v)(2)(B)(i), was \$6,000 for 2019 and has been increased to \$6,500 for 2020. In addition, the catch-up contribution for SIMPLE IRAs and SIMPLE 401(k) plans under Section 414(v)(2)(B)(ii) was \$3,000 for 2019 and remains unchanged for 2020.

## Highly Compensated Employee Dollar Limitation (\$130,000)

The dollar limit for determining who is a highly compensated employee under Section 414(q) was \$125,000 for 2019 and has been increased to \$130,000 for 2020.

## Key Employees in Top-Heavy Plans (\$185,000)

In determining who is a key employee under top-heavy plans, Section 416(i) includes officers with compensation greater than \$185,000. That dollar limitation was \$180,000 for 2019 and has been increased to \$185,000 for 2020.

**Limit on Compensation Taken into Account in Retirement Plans (\$285,000)**

The maximum amount of compensation that can be taken into account for qualified plan purposes under Section 401(a)(17) was \$280,000 for 2019 and has been increased to \$285,000 for 2020.

**Social Security Wage Base (\$137,700)**

The Social Security wage base was \$132,900 for 2019 and has been increased to \$137,700 for 2020.

**IRAs (\$6,000)**

The statutory limit on IRA contributions was \$6,000 in 2019 and remained unchanged for 2020.

**ADDITIONAL INFORMATION**

Information contained in this Update is not intended to render tax or legal advice. Employers should consult with qualified legal and/or tax counsel for guidance with respect to matters of law, tax and related regulation. Cherry Bekaert Benefits Consulting, LLC provides comprehensive consulting and administrative services with respect to all forms of employee benefits, risk management, qualified and non-qualified retirement plans, private client services, transaction services, and compensation and human resources.

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