

IRS Announces Retirement Plan Benefits & Contribution Limits for 2019

Annual Benefit Limit for Defined Benefit Plans (\$225,000)

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 \$225,000, 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 (*The dual defined benefit and defined contribution limit was repealed effective January 1, 2002, so plan sponsors can fund both a defined benefit and a defined contribution plan to their full individual limits*).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 \$220,000 for 2018 and has been increased to \$225,000 for 2019.

Annual Addition Limit for Defined Contribution Plans (\$56,000)

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 \$56,000. This statutory limit was \$55,000 for 2018 and has been increased to \$56,000 for 2019.

Limit on Pre-Tax Salary Deferrals to Retirement Plans (\$19,000)

Salary deferrals into Section 401(k) plans, Section 403(b) arrangements and Section 457(b) plans are subject to a statutory limit of \$19,000. This statutory limit was \$18,500 for 2018 and has been increased to \$19,000 for 2019.

SIMPLE Plan Contribution Limit (\$13,000)

The statutory limit on contributions to SIMPLE plans under Section 408(p)(2)(E) is \$13,000. This statutory limit was \$12,500 for 2018 and has been increased to \$13,000 for 2019.

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 2018 and remains unchanged for 2019. In addition, the catch-up contribution for SIMPLE IRAs and SIMPLE 401(k) plans was \$3,000 for 2018 and remains unchanged for 2019.

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 2018 and has been increased to \$125,000 for 2019.

Key Employees in Top-Heavy Plans (\$180,000)

In determining who is a key employee under top-heavy plans, Section 416(i) includes officers with compensation greater than \$180,000. That dollar limitation was \$175,000 for 2018 and has been increased to \$180,000 for 2019.

Limit on Compensation Taken Into Account in Retirement Plans (\$280,000)

The maximum amount of compensation that can be taken into account for qualified plan purposes was \$275,000 for 2018 and has been increased to \$280,000 for 2019.

Social Security Wage Base (\$132,900)

The Social Security wage base was \$128,400 for 2018 and has been increased to \$132,900 for 2019.

IRAs (\$6,000)

The statutory limit on IRA contributions was \$5,500 in 2018 and has increased to \$6,000 for 2019.

ADDITIONAL INFORMATION

For specific questions concerning information contained in this Update, please contact your Chernoff Diamond consultant. 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. Chernoff Diamond 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, and compensation and human capital. For additional information about our services, please contact us at 516.683.6100 or mail@chernoffdiamond.com.