

LEGAL UPDATE

IRS Announces 2021 Retirement Plan Limits

The Internal Revenue Service (IRS) has released [Notice 2020-79](#), containing cost-of-living adjustments for 2021 that affect amounts employees can contribute to 401(k) plans and IRAs, most of which **remain unchanged**.

Key limits that remain unchanged include the following:

- The employee contribution limit for 401(k) plans will remain **\$19,500**. The catch-up contribution limit for employees aged 50 and over also remains unchanged at \$6,500.
- The employee contribution limit for IRAs will remain **\$6,000**. The catch-up contribution limit for employees aged 50 and over also remains unchanged, at \$1,000.
- The employee contribution limit for SIMPLE IRAs and SIMPLE 401(k) plans will remain **\$13,500**.
- The limits used to define a “highly compensated employee” and a “key employee” will remain **\$130,000** and **\$185,000**, respectively.

2021 Increases

The following limits increased for 2021:

- The **annual limit for defined contribution plans** (for example, 401(k) plans, profit sharing plans and money purchase plans) is increased to **\$58,000**, up from \$57,000.
- The **annual compensation limit** (applicable to many retirement plans) is increased to **\$290,000**, up from \$285,000.

The income ranges for determining eligibility to make deductible contributions to traditional IRAs, to contribute to Roth IRAs and to claim the Saver’s Credit (also known as the Retirement Savings Contributions Credit) also increased for 2021. The IRS’ [news release](#) contains more details.

Important Dates

Oct. 26, 2020

The IRS released the 2021 retirement plan limits.

Jan. 1, 2021

The effective date of the 2021 retirement plan limits.

The employee contribution limits for 401(k) plans, IRAs, SIMPLE IRAs and SIMPLE 401(k) plans remain unchanged.

Provided to you by [Kinloch Consulting Group, Inc.](#) Oct. 28, 2020

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