

IRS Issues 2021 Limits for Retirement Plans

On Oct. 26, 2020, the IRS announced in [Notice 2020-79](#) cost of living adjustments (**COLAS**) to the qualified plan dollar limits for 2021. Below is a summary of the limits that are generally relevant for most retirement plans.

Effective Jan. 1, 2021:

- The elective deferral limit for 401(k), 403(b), and eligible 457 (b) plans is unchanged at \$19,500.
- The catch-up contribution limit for those aged 50 or older remains stable at \$6,500.
- The dollar limit on the annual benefit under a defined benefit plan remains unchanged at \$230,000.
- The dollar limit on annual allocations under a defined contribution plan is increased from \$57,000 to \$58,000.
- The annual compensation limit is increased from \$285,000 to \$290,000.
- The annual compensation limit for eligible participants in certain governmental plans that, as of Jul. 1, 1993, allowed for the cost of living adjustments to the annual compensation limit in effect at that time is increased from \$425,000 to \$430,000.
- The dollar threshold for "highly compensated employee" status used in performing various nondiscrimination tests remains unchanged at \$130,000.
- The dollar threshold for "key employee" status for officers used in performing the "top-heavy" test remains unchanged at \$185,000.
- The Social Security Wage Base will increase from \$137,700 to \$142,800.

If you have questions, please reach out to your contact in the [Hanson Bridgett Employee Benefits Group](#).

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