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IRS Announces Cost of Living Adjustment (COLA) Limits for 2020 Applicable to Retirement Plans

December 17, 2019

The Internal Revenue Service and the Social Security Administration have announced the cost of living adjustments (COLA) applicable to dollar limitations for retirement plans and the Social Security wage base for 2020. Many of the limits that currently apply to the 2019 plan year will change for the 2020 plan year.

Employers should make sure that the individuals in charge of their payroll systems are aware of these limits. Also, employee communications and forms should be reviewed and updated as necessary to reflect these 2019 dollar limits.

Limit

Current 2019

2020 Maximum annual compensation that may be taken into account for determining benefits or contributions \$280,000 \$285,000 Maximum elective deferral contribution limit for employees who participate in 401(k), 403(b) and most 457 plans \$19,000 \$19,500 Maximum 401(k) and 403(b) and governmental 457(b) catch-up contribution limit for participants age 50 or older \$6,000 \$6,500 Defined contribution maximum annual addition \$56,000 \$57,000 Defined benefit maximum annual benefit \$225,000 \$230,000 Key employee top-heavy plan \$180,000 \$185,000 Highly compensated employee (HCE) \$125,000 \$130,000 Social Security taxable wage base (FICA) \$132,900 \$137,000

If you have any questions concerning the plan dollar limits or would like assistance with your employee retirement plans, please contact any member of our Employee Benefits Practice Group.

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