

# IRS Retirement Plan Adjustments for 2014

*Rules changes for IRAs, 401(k)s & other savings vehicles.*

Provided by IWM Partners

**The IRS has made minor adjustments to retirement plan limitations for 2014.** As inflation has been tame in 2013, these Cost of Living Adjustments (COLAs) aren't dramatic; as a result, some retirement plans won't see any next year. Here is a roundup of the changes for 2014.

**IRAs.** Not much change here: the 2014 contribution limit is still set at \$5,500, with an additional \$1,000 catch-up contribution permitted for those 50 and older.<sup>1</sup>

***The AGI phase-out ranges affecting your ability to deduct traditional IRA contributions have been slightly adjusted north:***

- \* Single & head-of-household filers covered by a workplace retirement plan: \$60,001-70,000
- \* Married filing jointly, you contribute to a workplace retirement plan: \$96,001-116,000
- \* Married filing jointly, spouse contributes to workplace plan, you don't: \$181,001-191,000.<sup>1,2</sup>

***The limits on eligibility to make Roth IRA contributions have been adjusted.*** You can make a full Roth contribution in 2014 if your adjusted gross income (AGI) does not exceed these limits:

- \* Single & head-of-household filers: \$114,000 (phase-out range is \$114,001-129,000)
- \* Married filing jointly: \$181,000 (phase-out range is \$181,001-191,000)<sup>1,3</sup>

**401(k)s, 403(b)s, most 457 plans & the federal Thrift Savings Plan.** Contribution limits on these plans are unchanged for 2014. You will be able to put up to \$17,500 in these accounts next year if you are younger than 50, and \$23,000 if you are 50 or older (thanks to the catch-up contribution).<sup>2,4</sup>

If you participate in more than one of these defined contribution retirement plans – for example, you contribute to a 401(k) and a 403(b), or two 401(k)s – you should know that the total contribution limit for both employee and employer contributions across all such accounts in 2014 is the lesser of: a) 100% of your compensation, b) \$52,000 if you are younger than 50, or c) \$57,500 if you are 50 or older.<sup>5</sup>

With regard to 401(k)s, the above limits apply to both traditional and “safe harbor” versions.<sup>5</sup>

**Simplified Employee Pension (SEP) & Savings Incentive Match Plan for Employees (SIMPLE) plans.** In 2014, the maximum allowable compensation used in the calculation of SEP-IRA contributions increases \$5,000 to \$260,000. The threshold for an employee to be included in a SEP plan remains at \$550 for 2014 (that is, an employee is eligible if he or she receives at least \$550 in compensation from your business for the year). SIMPLE plans see no changes to

contribution limits next year: the maximum plan contribution remains at \$12,000 for 2014, with catch-up contributions still limited at \$2,500.<sup>2,6</sup>

**Profit-sharing plans.** The 2014 deferral limit is \$17,500, the catch-up contribution limit is \$2,500, the compensation limitation is \$260,000, and the maximum contribution amount across multiple plans is the lesser of a) 100% of your compensation, b) \$52,000 if you are younger than 50, or c) \$57,500 if you are 50 or older.<sup>4,5</sup>

**Employee Stock Ownership Plans (ESOPs).** Next year, the dollar amount used to figure out the maximum account balance in an ESOP subject to a 5-year distribution period increases by \$15,000 to \$1,050,000. There is also a \$5,000 rise in the dollar amount used to determine the lengthening of the 5-year distribution period – it is \$210,000 in 2014.<sup>2,4</sup>

**The dollar limitation used to define a key employee in a top-heavy plan increases.** This limit was set at \$165,000 for 2013. Next year, it rises to \$170,000.<sup>2,4</sup>

**Income limits for the saver's credit are slightly increasing.** This federal tax credit is offered to low-income and middle-income workers saving for retirement. In 2014, you will be eligible for the credit if your AGI doesn't exceed these thresholds:

- \* Married filing jointly: \$60,000
- \* Head of household: \$45,000
- \* Married filing separately & single filers: \$30,000<sup>3</sup>

Keep these retirement plan adjustments in mind as you think about your financial moves for 2014.

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#### Citations.

- 1 - [bankrate.com/financing/retirement/new-irs-rules-for-retirement-plans/](http://bankrate.com/financing/retirement/new-irs-rules-for-retirement-plans/) [11/1/13]
- 2 - [irs.gov/Retirement-Plans/COLA-Increases-for-Dollar-Limitations-on-Benefits-and-Contributions](http://irs.gov/Retirement-Plans/COLA-Increases-for-Dollar-Limitations-on-Benefits-and-Contributions) [10/31/13]
- 3 - [blogs.marketwatch.com/encore/2013/10/31/irs-releases-2014-limits-for-401ks-iras/](http://blogs.marketwatch.com/encore/2013/10/31/irs-releases-2014-limits-for-401ks-iras/) [10/31/13]
- 4 - [irs.gov/uac/IRS-Announces-2014-Pension-Plan-Limitations;-Taxpayers-May-Contribute-up-to-\\$17,500-to-their-401%28k%29-plans-in-2014](http://irs.gov/uac/IRS-Announces-2014-Pension-Plan-Limitations;-Taxpayers-May-Contribute-up-to-$17,500-to-their-401%28k%29-plans-in-2014) [11/4/13]
- 5 - [irs.gov/Retirement-Plans/Plan-Participant,-Employee/Retirement-Topics--401%28k%29-and-Profit-Sharing-Plan-Contribution-Limits](http://irs.gov/Retirement-Plans/Plan-Participant,-Employee/Retirement-Topics--401%28k%29-and-Profit-Sharing-Plan-Contribution-Limits) [11/1/13]
- 6 - [irs.gov/Retirement-Plans/Retirement-Plans-FAQs-regarding-SEPs-Participation](http://irs.gov/Retirement-Plans/Retirement-Plans-FAQs-regarding-SEPs-Participation) [2/13/13]