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**2016 Retirement Plan Contribution Limits**

*Tame yearly inflation means very little change.*

Presented by Darrel Peck & Christian Jackson

**Over the past 12 months, consumer prices have increased very little.** The latest Consumer Price Index (September) shows 0.0% yearly inflation and only 1.9% core yearly inflation. That means no cost-of-living adjustment for Social Security, and very few IRS adjustments to retirement plan contribution limits.1

**Roth IRA & traditional IRA contribution limits stay the same for 2016.** Those 49 and younger in 2016 can contribute up to $5,500 to their IRAs, while those 50 and older will be able to contribute $6,500.2

**401(k), 403(b), 457 & TSP annual contribution limits are also unchanged.** Savers will be able to defer up to $18,000 into these plans in 2016 with an additional catch-up contribution of up to $6,000 permitted for those 50 or older.3

**SIMPLE IRAs? No COLA for those accounts either.** The base contribution limit for a SIMPLE IRAstays at $12,500 next year, the catch-up contribution limit at $3,000.2

**The same goes for SEP-IRAs & Solo 401(k)s.** Small business owners have a maximum deferral amount of $53,000 for 2016. As for the compensation limit factored into the savings calculation, that limit will remain at $265,000. The compensation threshold for an employee to be included in a SEP plan stays at $600 (i.e., that worker has to receive $600 or more in compensation from your business in 2016).2,3

**The phase-out range for Roth IRA contributions has been adjusted a bit.** In 2016, you will be unable to make a Roth IRA contribution if your AGI exceeds $194,000 as a married couple filing jointly, or $132,000 should you be a single filer or head of household. Those figures are $1,000 higher than in 2015. Joint filers with AGI of$184,001-194,000 and singles and heads of household with AGI of $117,001-132,000 will be able to make a partial rather than full Roth IRA contribution next year. If you really want a Roth IRA but your AGI is too high, you can always open a traditional IRA and then convert it to a Roth.2

**As for deducting regular IRA contributions, one phase-out range change has been made.** The change is slight. If you contribute to a traditional IRA and your employer doesn’t sponsor a retirement plan, yet your spouse contributes to a workplace retirement plan, the AGI phase-out on deductions of traditional IRA contributions strikes when your combined AGI ranges from $184,001-194,000. That is a $1,000 increase from the 2015 phase-out range.2

If you are a single filer or file as a head of household contributing to a traditional IRA and you are also covered by a workplace retirement plan, the AGI phase-out range for you remains at $61,001-71,000. If you file jointly, contribute to a traditional IRA and are also covered by a workplace retirement plan, your AGI phase-out range is the same in 2016 – $98,001-118,000. Above the high end of those phase-out ranges, you can’t claim a deduction for traditional IRA contributions.2

If you are married, filing separately and covered by a workplace retirement plan, the phase-out range on deductions of traditional IRA contributions is $0-$10,000 (this never gets a COLA).2

**AGI limits for the Saver’s Credit will rise slightly.** Americans saving for retirement on modest incomes will be eligible for the credit next year if their AGI falls underneath certain thresholds: single filers and marrieds filing separately, adjusted gross income of $30,750 or less; heads of household, AGI of $46,125 or less; joint filers, $61,500 or less.2

**ESOP dollar amounts are unchanged next year.** The dollar amount used to figure out the maximum account balance in an ESOP subject to a 5-year distribution period will still be $1,070,000 in 2016, while the dollar amount used to determine the lengthening of the 5‑year distribution period will remain at $210,000.3

**Contribution limits for profit-sharing plans rise as per limits for 401(k)s.** A participant in such a plan is looking at a 2016 elective deferral limit of $18,000 ($24,000 if she or he is old enough to make catch-up contributions). The yearly compensation limit on such plans stays at $265,000.4

**Lastly, maximum yearly benefits for a defined benefit plan will remain at $210,000.** The dollar limitation defining key employees within a top-heavy plan again stays at $170,000.3

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**Citations.**

1 - usatoday.com/story/money/2015/10/15/cpi-for-september/73957022/ [10/15/15]

2 - forbes.com/sites/ashleaebeling/2015/10/21/irs-announces-2016-retirement-plans-contribution-limits-for-401ks-and-more/ [10/21/15]

3 - irs.gov/uac/Newsroom/IRS-Announces-2016-Pension-Plan-Limitations%3B-401%28k%29-Contribution-Limit-Remains-Unchanged-at-$18,000-for-2016 [10/21/15]

4 - shrm.org/hrdisciplines/benefits/articles/pages/2016-irs-401k-contribution-limits.aspx [10/22/15]