

November 4, 2021

Alert: IRS Announces Retirement Plan Limits for 2022

On November 4, 2021, the Internal Revenue Service in [Notice 2021-61](#) published the cost-of-living adjustments that apply to dollar limits for retirement plans beginning on January 1, 2022. As anticipated, due to a significant rise in the cost of living, as measured by the Bureau of Labor Statistics (BLS) Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the period covering the third quarter of 2020 to the third quarter of 2021, most limits have been increased.

Annual maximum contribution and maximum plan compensation increased to \$61,000 and \$305,000 respectively, with SEP eligibility compensation threshold remaining at \$650. Defined benefit maximum was increased to \$245,000, elective deferral for 401(k), Roth 401(k), 403(b), Roth 403(b), 457 Plans increased to \$20,500. SIMPLE IRA deferrals increased to \$14,000. No changes were made to catch up amounts for qualified retirement plans or SIMPLE IRAs; Individual Retirement Account (IRA) contribution and catch-up amounts were also unchanged. Note, that generally deferral limits increase in \$500 increments while the annual additions limits is adjusted in \$1,000 increments, the 2022 adjustment is 2x the norm for salary deferrals (except those applicable to SIMPLE IRAs) and 3x the norm for the total annual account contribution maximum.

On October 13, the [Social Security Administration announced](#) a 5.9% cost of living adjustment (COLA), largest since a 7.4% adjustment in 1982, increasing the annual benefit by \$1,104 on average. For comparison, COLA was 1.3% in 2021, 1.6% in 2020, and 2.8% in 2019. It is likely the Social Security increases in the next few years will be minor, if any, unless inflation continues at fairly high levels to exceed the current mark.

The maximum amount of earnings subject to the Social Security tax, Taxable Wage Base, will jump by \$4,200 from \$142,800 to \$147,000. This results in a monthly \$21.70 Social Security tax increase year-over-year for those with earned income at or above the limit. The new maximum for the self-employed individuals is \$22,491 compared to \$21,848 in 2021; employees pay one half of that amount with the second half matched by their employers.

Among other noteworthy changes is the amount individuals under full retirement age may earn before experiencing decrease in their Social Security payments. The 2022 retirement earnings cap increased by \$600 from \$18,960 to \$19,560; after that, \$1 of benefits is deducted for every \$2 earned above \$19,560. This limit does not apply to pensions, investments, or other forms of unearned income. The full retirement age increased from 66 to 66 and 4 months in 2022 for those born in 1956. For them, in the year of the full retirement age the earnings limit will increase to \$51,960 and benefits will be reduced by \$1 for each \$3 earned over this amount for months prior to reaching the full retirement age. The earnings limits do not apply once the full retirement age is reached (currently 66 and gradually increasing to 67, based on the birth year).

As in prior years, we have highlighted the year-over-year adjustments for easy identification.

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ADVISOR NEWS

This summary is designed to provide an overview of the dollar limitations for retirement plans applicable in 2022 and is not comprehensive. It is intended for general information only and is believed to be accurate and reliable as of posting date but may be subject to change. For a complete announcement of the applicable limits see [IRS Notice 2021-61](#) and [Social Security Administration's 2022 Social Security Changes Fact Sheet](#).

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IRS Announces Retirement Plan Limits for 2022

*Cost of Living Adjustments Effective for Plan Years Beginning 1/1/2022**

On November 4, 2021 the Internal Revenue Service in [Notice 2021-61](#) announced the cost-of-living adjustments that apply to dollar limits for retirement plans for the tax year beginning on January 1, 2022. Due to a substantial rise in the cost of living, as measured by the Bureau of Labor Statistics (BLS) Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the period covering the third quarter of 2020 to the third quarter of 2021, most of the annual limits have been increased.

On October 13, the [Social Security Administration](#) announced a 5.9% cost of living adjustment (COLA), largest since a 7.4% adjustment in 1982, increasing the annual benefit by \$1,104 on average. The Taxable Wage Base increased by \$4,200 from \$142,800 to \$147,000. This results in a monthly \$21.70 Social Security tax increase year-over-year for those with earned income at or above the limit; the new maximum Social Security Tax ticked up to \$22,491 from \$21,848 in 2021.

We have highlighted the year-over-year changes for easy identification.

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Elective deferral limit for 401(k), Roth 401(k), 403(b), Roth 403(b), & 457 Plans	\$20,500	\$19,500	\$19,500	\$19,000	\$18,500	\$18,000	\$18,000	\$18,000	\$17,500	\$17,500	\$17,000
Catch-up contribution limit for 401(k), Roth 401(k), 403(b), Roth 403(b), & 457 Plans	\$6,500	\$6,500	\$6,500	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$5,500	\$5,500	\$5,500
Elective deferral limit for SIMPLE IRA Plans	\$14,000	\$13,500	\$13,500	\$13,000	\$12,500	\$12,500	\$12,500	\$12,500	\$12,000	\$12,000	\$11,500
Catch-up contribution limit for SIMPLE IRA Plans	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$2,500	\$2,500	\$2,500
Annual limit for defined contribution plans	\$61,000	\$58,000	\$57,000	\$56,000	\$55,000	\$54,000	\$53,000	\$53,000	\$52,000	\$51,000	\$50,000
Annual limit to SEP IRA Plans	\$61,000	\$58,000	\$57,000	\$56,000	\$55,000	\$54,000	\$53,000	\$53,000	\$52,000	\$51,000	\$50,000
Maximum plan compensation for retirement plan purposes	\$305,000	\$290,000	\$285,000	\$280,000	\$275,000	\$270,000	\$265,000	\$265,000	\$260,000	\$255,000	\$250,000
Annual benefit limit for defined benefit plans	\$245,000	\$230,000	\$230,000	\$225,000	\$220,000	\$215,000	\$210,000	\$210,000	\$210,000	\$205,000	\$200,000
Threshold amount for definition of a highly compensated employee	\$135,000	\$130,000	\$130,000	\$125,000	\$120,000	\$120,000	\$120,000	\$120,000	\$115,000	\$115,000	\$115,000
Threshold amount for definition of a key employee in top heavy plans	\$200,000	\$185,000	\$185,000	\$180,000	\$175,000	\$175,000	\$170,000	\$170,000	\$170,000	\$165,000	\$165,000
SEP IRA compensation threshold for eligibility	\$650	\$650	\$600	\$600	\$600	\$600	\$600	\$600	\$550	\$550	\$550
Social Security Taxable Wage Base	\$147,000	\$142,800	\$137,700	\$132,900	\$128,400	\$127,200	\$118,500	\$118,500	\$117,000	\$113,700	\$110,100
IRA or Roth IRA contribution limit	\$6,000	\$6,000	\$6,000	\$6,000	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,000
Catch-up contribution limit for IRA or Roth IRA	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
IRA Deduction phase-out limit for active plan participants starts at											
Single	\$68,000	\$66,000	\$65,000	\$64,000	\$63,000	\$62,000	\$61,000	\$61,000	\$60,000	\$59,000	\$58,000
Married Filing Jointly	\$109,000	\$105,000	\$104,000	\$103,000	\$101,000	\$99,000	\$98,000	\$98,000	\$96,000	\$95,000	\$92,000
Married Filing Jointly and one spouse is covered by a plan	\$204,000	\$198,000	\$196,000	\$193,000	\$189,000	\$186,000	\$184,000	\$183,000	\$181,000	\$178,000	\$173,000
Roth IRA contribution phase-out limit starts at											
Single	\$129,000	\$125,000	\$124,000	\$122,000	\$120,000	\$118,000	\$117,000	\$116,000	\$114,000	\$112,000	\$110,000
Married Filing Jointly	\$208,000	\$198,000	\$196,000	\$193,000	\$189,000	\$186,000	\$184,000	\$183,000	\$181,000	\$178,000	\$173,000

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	2011	2010	2009	2008	2007
Elective deferral limit for 401(k), Roth 401(k), 403(b), Roth 403(b), & 457 Plans	\$16,500	\$16,500	\$16,500	\$15,500	\$15,500
Catch-up contribution limit for 401(k), Roth 401(k), 403(b), Roth 403(b), & 457 Plans	\$5,500	\$5,500	\$5,500	\$5,000	\$5,000
Elective deferral limit for SIMPLE IRA Plans	\$11,500	\$11,500	\$11,500	\$10,500	\$10,500
Catch-up contribution limit for SIMPLE IRA Plans	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Annual limit for defined contribution plans	\$49,000	\$49,000	\$49,000	\$46,000	\$45,000
Annual limit to SEP IRA Plans	\$49,000	\$49,000	\$49,000	\$46,000	\$45,000
Maximum plan compensation for retirement plan purposes	\$245,000	\$245,000	\$245,000	\$230,000	\$225,000
Annual benefit limit for defined benefit plans	\$195,000	\$195,000	\$195,000	\$185,000	\$180,000
Threshold amount for definition of a highly compensated employee	\$110,000	\$110,000	\$110,000	\$105,000	\$100,000
Threshold amount for definition of a key employee in top heavy plans	\$160,000	\$160,000	\$160,000	\$150,000	\$145,000
SEP IRA compensation threshold for eligibility	\$550	\$550	\$550	\$500	\$500
Social Security Taxable Wage Base	\$106,800	\$106,800	\$106,800	\$102,000	\$97,500
IRA or Roth IRA contribution limit	\$5,000	\$5,000	\$5,000	\$5,000	\$4,000
Catch-up contribution limit for IRA or Roth IRA	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
IRA Deduction phase-out limit for active plan participants starts at					
Single	\$56,000	\$56,000	\$55,000	\$53,000	\$52,000
Married Filing Jointly	\$90,000	\$89,000	\$89,000	\$85,000	\$83,000
Married Filing Jointly and one spouse is covered by a plan	\$169,000	\$167,000	\$166,000	\$159,000	\$156,000
Roth IRA contribution phase-out limit starts at					
Single	\$107,000	\$105,000	\$105,000	\$101,000	\$99,000
Married Filing Jointly	\$169,000	\$167,000	\$166,000	\$159,000	\$156,000

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