

# IRS Announces Retirement Plan Limits for 2021

*Cost of Living Adjustments Effective for Plan Years Beginning 1/1/2021\**

On October 26, 2020 the Internal Revenue Service in [Notice 2020-79](#) announced the cost-of-living adjustments that apply to dollar limits for retirement plans for the tax year beginning on January 1, 2021. Due to a modest growth 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 2019 to the third quarter of 2020, most limits remained at the current level with a few receiving a small boost.

On October 13, the [Social Security Administration](#) announced a 1.3% cost of living adjustment (COLA), increasing the annual benefit by \$240 on average. The Taxable Wage Base increased by \$5,100 from \$137,700 to \$142,800. This results in a monthly \$26.35 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 \$21,848 from \$21,068 in 2020. We have highlighted the year-over-year changes for easy identification.

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Elective deferral limit for 401(k), Roth 401(k), 403(b), Roth 403(b), & 457 Plans	\$19,500	\$19,500	\$19,000	\$18,500	\$18,000	\$18,000	\$18,000	\$17,500	\$17,500	\$17,000	\$16,500
Catch-up contribution limit for 401(k), Roth 401(k), 403(b), Roth 403(b), & 457 Plans	\$6,500	\$6,500	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$5,500	\$5,500	\$5,500	\$5,500
Elective deferral limit for SIMPLE IRA Plans	\$13,500	\$13,500	\$13,000	\$12,500	\$12,500	\$12,500	\$12,500	\$12,000	\$12,000	\$11,500	\$11,500
Catch-up contribution limit for SIMPLE IRA Plans	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$2,500	\$2,500	\$2,500	\$2,500
Annual limit for defined contribution plans	\$58,000	\$57,000	\$56,000	\$55,000	\$54,000	\$53,000	\$53,000	\$52,000	\$51,000	\$50,000	\$49,000
Annual limit to SEP IRA Plans	\$58,000	\$57,000	\$56,000	\$55,000	\$54,000	\$53,000	\$53,000	\$52,000	\$51,000	\$50,000	\$49,000
Maximum plan compensation for retirement plan purposes	\$290,000	\$285,000	\$280,000	\$275,000	\$270,000	\$265,000	\$265,000	\$260,000	\$255,000	\$250,000	\$245,000
Annual benefit limit for defined benefit plans	\$230,000	\$230,000	\$225,000	\$220,000	\$215,000	\$210,000	\$210,000	\$210,000	\$205,000	\$200,000	\$195,000
Threshold amount for definition of a highly compensated employee	\$130,000	\$130,000	\$125,000	\$120,000	\$120,000	\$120,000	\$120,000	\$115,000	\$115,000	\$115,000	\$110,000
Threshold amount for definition of a key employee in top heavy plans	\$185,000	\$185,000	\$180,000	\$175,000	\$175,000	\$170,000	\$170,000	\$170,000	\$165,000	\$165,000	\$160,000
SEP IRA compensation threshold for eligibility	\$650	\$600	\$600	\$600	\$600	\$600	\$600	\$550	\$550	\$550	\$550
Social Security Taxable Wage Base	\$142,800	\$137,700	\$132,900	\$128,400	\$127,200	\$118,500	\$118,500	\$117,000	\$113,700	\$110,100	\$106,800
IRA or Roth IRA contribution limit	\$6,000	\$6,000	\$6,000	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,000	\$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	\$66,000	\$65,000	\$64,000	\$63,000	\$62,000	\$61,000	\$61,000	\$60,000	\$59,000	\$58,000	\$56,000
Married Filing Jointly	\$105,000	\$104,000	\$103,000	\$101,000	\$99,000	\$98,000	\$98,000	\$96,000	\$95,000	\$92,000	\$90,000
Married Filing Jointly and one spouse is covered by a plan	\$198,000	\$196,000	\$193,000	\$189,000	\$186,000	\$184,000	\$183,000	\$181,000	\$178,000	\$173,000	\$169,000
Roth IRA contribution phase-out limit starts at											
Single	\$125,000	\$124,000	\$122,000	\$120,000	\$118,000	\$117,000	\$116,000	\$114,000	\$112,000	\$110,000	\$107,000
Married Filing Jointly	\$198,000	\$196,000	\$193,000	\$189,000	\$186,000	\$184,000	\$183,000	\$181,000	\$178,000	\$173,000	\$169,000

\* This summary is designed to provide an overview of the dollar limitations for retirement plans applicable in 2021 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. IIS Financial Services is an Independent Financial Planning Firm located in Portland and Augusta, Maine with securities and advisory services offered through Cetera Advisors LLC member FINRA, SIPC, a broker/dealer and a Registered Investment Adviser. Cetera is under separate ownership from IIS Financial Services.