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Dollar Limitations for 2016

Various retirement plan limits are subject to annual cost-of-living and/or statutory adjustments. The IRS has issued the limits for 2016; none that we discuss below have increased. The change (or, in this case, confirmation) in plan-related limits is always a reminder that the end of the year is fast approaching. Often, December 31 (or January 1) is a date by which certain actions relative to plans must be taken.

Some of the more commonly applicable limits for 2016 are as follows:

<u>Maximum Contribution to 401(k), Profit Sharing, and other Defined Contribution Plans</u>. **$53,000** (unchanged from 2015).

<u>Pre-Tax 401(k), 403(b), and 457(b) Employee Contribution Limit</u>. **$18,000** (unchanged from 2015).

<u>Age 50 Catch-up Contribution Limit</u>. **$6,000** (unchanged from 2015).

<u>Maximum Annual Recognized Compensation Limit</u>. **$265,000** (unchanged from 2015). To limit retirement plan accumulations for high paid employees, as well as to increase contributions for non-high paid employees, retirement plans generally may only recognize compensation up to this limit.

<u>Highly Compensated Employee ("HCE") Threshold</u>. **$120,000** (unchanged from 2015). Under ERISA's nondiscrimination rules, the employee population is divided into two groups – the highly compensated employees and the nonhighly compensated employees. A highly compensated employee generally is an employee who owns more than 5% of the employer sponsoring the plan or whose compensation in the preceding year exceeds the dollar threshold.

<u>Defined Benefit Plan Limit</u>. **$210,000** (unchanged from 2015). In a defined benefit plan, the law limits the annual pension payable to the participant upon retirement (as opposed to limiting the annual additions going into a defined contribution plan). If you desire to possibly accumulate significant retirement benefits over and above the $53,000 annual defined contribution limit, a defined benefit plan should be explored.

<u>Social Security Taxable Wage Base</u>. **$118,500** (unchanged from 2015). This figure affects the way in which employer contributions are allocated to participants under "integrated" plans.

For additional information or if you have questions, please contact Jeffery Mandell (jeff@erisalawgroup.com) or John C. Hughes (john@erisalawgroup.com) at 208-342-5522 or 866-ERISALAW.

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