



On November 1, 2018, the IRS followed its established fourth quarter practice and announced the contribution and benefit limits for qualified plans and related retirement arrangements effective in 2019. This announcement was documented as IRS Notice 2018-83. Specifically, the new 2019 benchmarks provide opportunities for both retirement plan sponsors and their employees/participants.

The adjusted limits for 2019 are as follows:

2019 Cost-of-Living Adjustments for Qualified Plans (& Related Arrangements)

	2019	2018
Employee Deferral Limit 401(k)/403(b)/457 Plans	\$19,000	\$18,500
Catch-Up (age 50+) Deferral 401(k)/403(b)/457 Plans	\$6,000	\$6,000
Defined Contribution Maximum Annual Additions	\$56,000	\$55,000
Defined Benefit Maximum Annual Benefit	\$225,000	\$220,000
Maximum Compensation – Qualified Retirement Plans	\$280,000	\$275,000
Definition of Highly Compensated Employees	\$125,000	\$120,000
FICA Taxable Wage Base	\$132,900	\$128,400
SEP Minimum Compensation	\$600	\$600
SIMPLE Retirement Accounts Deferral Limit	\$13,000	\$12,500
Catch-Up Deferral Limit for SIMPLE Accounts	\$3,000	\$3,000
Key Employee/Officer Compensation Threshold	\$180,000	\$175,000
Traditional IRA Contribution Limit	\$6,000	\$5,500
ESOP Amount to Determine Lengthening of the 5-year Distribution Period	\$225,000	\$220,000
ESOP Maximum Balance subject to the 5-year Distribution Rule	\$1,130,000	\$1,105,000

How Annual Contribution and Benefit Limit Increases Affect Retirement Plans and Their Sponsors

The annual contribution and benefit limit increases effective in 2019 present a number of opportunities to retirement plans, their sponsors, and certain participants.

For example, the **increase in the 401(k) deferral limit** to \$19,000 gives all 401(k) participants an opportunity to defer extra compensation from taxation in 2019.

The 2019 **increase in the defined contribution maximum annual addition** to \$56,000 gives the plan sponsor an opportunity for a larger contribution deduction while providing additional tax deferred savings for plan participants.

The increase in 2019 **defined benefit maximum annual benefit** to \$225,000 provides an opportunity for certain plan sponsors to increase their contribution deduction while providing a larger benefit for certain pension plan participants.

The increase in the **2019 compensation limit** to \$280,000 allows certain participants to have additional income recognized for plan purposes. This can boost their allocated share of their plan sponsor's contribution while helping the plan pass the annual nondiscrimination test—assuming the ratio of benefits to compensation decreases.

Finally, the increase in the 2019 **dollar amount to determine highly compensated employees** (HCEs) to \$125,000 reduces the number of participants who may have to receive 401(k) deferral refunds.

As always, clients and financial advisors with questions about these opportunities should contact their Ascensus Plan Consultant.

ADDITIONAL HELPFUL INFORMATION

The term “annual additions” generally means the sum for any year of employer contributions, employee contributions, and forfeitures.

For plans that include salary deferral features, individuals who are age 50 and older by the end of the calendar year may make catch-up contributions in addition to the annual additions limit (if catch-up contributions are permitted under the plan).

NOTES FOR OFF-CALENDAR PLAN YEARS

- Deferral limits are on a calendar year basis, regardless of plan year.
- Use the taxable wage base in effect at the beginning of the plan year.
- Use the Annual Compensation limit in effect at the beginning of the plan year.
- Use the 415 limit in effect at the end of the plan year.

TPA Solutions Sales Desk



866-929-2525



TPAsolutionssales@ascensus.com



tpa.ascensus.com

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