

IRS Benefit Plan Limits for 2019

Presented by James Butler, CFP®, AIF®

On November 1, 2018, the Internal Revenue Service released Notice 2018-83, announcing cost-of-living adjustments (COLAs) that affect contribution limits for retirement plans in 2019. The list below, although not exhaustive, highlights key changes that retirement plan sponsors should be aware of, as well as some limitations that remain unchanged from 2018:

- The elective deferral limit is increasing from \$18,500 to \$19,000.
- The aggregate contribution limit for defined contribution plans is increasing from \$55,000 to \$56,000.
- The annual compensation limit used to calculate contributions is increasing from \$275,000 to \$280,00.
- The limitation on the annual benefit under a defined benefit plan is increasing from \$220,000 to \$225,000. (For a participant who separated from service *before* January 1, 2019, the limitation for defined benefit plans under Section 415(b)(1)(B) can be computed by multiplying the participant's compensation limitation, as adjusted through 2018, by 1.0264.)
- The dollar limit used in the definition of “key employee” in a top-heavy retirement plan is increasing from \$175,000 to \$180,000.
- The dollar limit used in the definition of “highly compensated employee” is increasing from \$120,000 to \$125,000.
- The catch-up contribution limit for employees ages 50 and older remains unchanged at \$6,000.

The table below displays the 2018 and 2019 limits for a host of tax breaks:

401(k) Plan Limits for Plan Year	2018 Limit	2019 Limit
401(k) Elective Deferral Limit ¹	\$18,500	\$19,000
Catch-Up Contribution ²	\$6,000	\$6,000
Defined Contribution Dollar Limit	\$55,000	\$56,000
Compensation Limit ³	\$275,000	\$280,000
Highly Compensated Employee Income Limit	\$120,000	\$125,000
Key Employee Officer Limit	\$175,000	\$180,000
Non-401(k) Limits		
403(b) Elective Deferral Limit ¹	\$18,500	\$19,000
Defined Benefit Dollar Limit	\$220,000	\$225,000
457 Employee Deferral Limit	\$18,500	\$19,000



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SEP and SIMPLE IRA Limits	2018 Limit	2019 Limit
SEP Minimum Compensation	\$600	\$600
SEP Maximum Compensation	\$275,000	\$280,000
SIMPLE Contribution Limit	\$12,500	\$13,000
SIMPLE Catch-Up Contribution ²	\$3,000	\$3,000
IRA and Roth Limits		
IRA and Roth Contribution Limit	\$5,500	\$6,000
Catch-Up Contribution ²	\$1,000	\$1,000

¹Employee deferrals to all 401(k) and 403(b) plans must be aggregated for purposes of this limit.

²Contributors must be age 50 or older during the calendar year.

³All compensation from a single employer (including all members of a controlled group) must be aggregated for purposes of this limit.

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