

# 2016 Retirement Plan Contribution Limits

*Tame yearly inflation means very little change.*

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**Over the past 12 months, consumer prices have increased very little.** The latest Consumer Price Index (September) shows 0.0% yearly inflation and only 1.9% core yearly inflation. That means no cost-of-living adjustment for Social Security, and very few IRS adjustments to retirement plan contribution limits.<sup>1</sup>

**Roth IRA & traditional IRA contribution limits stay the same for 2016.** Those 49 and younger in 2016 can contribute up to \$5,500 to their IRAs, while those 50 and older will be able to contribute \$6,500.<sup>2</sup>

**401(k), 403(b), 457 & TSP annual contribution limits are also unchanged.** Savers will be able to defer up to \$18,000 into these plans in 2016 with an additional catch-up contribution of up to \$6,000 permitted for those 50 or older.<sup>3</sup>

**SIMPLE IRAs? No COLA for those accounts either.** The base contribution limit for a SIMPLE IRA stays at \$12,500 next year, the catch-up contribution limit at \$3,000.<sup>2</sup>

**The same goes for SEP-IRAs & Solo 401(k)s.** Small business owners have a maximum deferral amount of \$53,000 for 2016. As for the compensation limit factored into the savings calculation, that limit will remain at \$265,000. The compensation threshold for an employee to be included in a SEP plan stays at \$600 (i.e., that worker has to receive \$600 or more in compensation from your business in 2016).<sup>2,3</sup>

**The phase-out range for Roth IRA contributions has been adjusted a bit.** In 2016, you will be unable to make a Roth IRA contribution if your AGI exceeds \$194,000 as a married couple filing jointly, or \$132,000 should you be a single filer or head of household. Those figures are \$1,000 higher than in 2015. Joint filers with AGI of \$184,001-194,000 and singles and heads of household with AGI of \$117,001-132,000 will be able to make a partial rather than full Roth IRA contribution next year. If you really want a Roth IRA but your AGI is too high, you can always open a traditional IRA and then convert it to a Roth.<sup>2</sup>

**As for deducting regular IRA contributions, one phase-out range change has been made.** The change is slight. If you contribute to a traditional IRA and your employer doesn't sponsor a

retirement plan, yet your spouse contributes to a workplace retirement plan, the AGI phase-out on deductions of traditional IRA contributions strikes when your combined AGI ranges from \$184,001-194,000. That is a \$1,000 increase from the 2015 phase-out range.<sup>2</sup>

If you are a single filer or file as a head of household contributing to a traditional IRA and you are also covered by a workplace retirement plan, the AGI phase-out range for you remains at \$61,001-71,000. If you file jointly, contribute to a traditional IRA and are also covered by a workplace retirement plan, your AGI phase-out range is the same in 2016 – \$98,001-118,000. Above the high end of those phase-out ranges, you can't claim a deduction for traditional IRA contributions.<sup>2</sup>

If you are married, filing separately and covered by a workplace retirement plan, the phase-out range on deductions of traditional IRA contributions is \$0-\$10,000 (this never gets a COLA).<sup>2</sup>

**AGI limits for the Saver's Credit will rise slightly.** Americans saving for retirement on modest incomes will be eligible for the credit next year if their AGI falls underneath certain thresholds: single filers and marrieds filing separately, adjusted gross income of \$30,750 or less; heads of household, AGI of \$46,125 or less; joint filers, \$61,500 or less.<sup>2</sup>

**ESOP dollar amounts are unchanged next year.** The dollar amount used to figure out the maximum account balance in an ESOP subject to a 5-year distribution period will still be \$1,070,000 in 2016, while the dollar amount used to determine the lengthening of the 5-year distribution period will remain at \$210,000.<sup>3</sup>

**Contribution limits for profit-sharing plans rise as per limits for 401(k)s.** A participant in such a plan is looking at a 2016 elective deferral limit of \$18,000 (\$24,000 if she or he is old enough to make catch-up contributions). The yearly compensation limit on such plans stays at \$265,000.<sup>4</sup>

**Lastly, maximum yearly benefits for a defined benefit plan will remain at \$210,000.** The dollar limitation defining key employees within a top-heavy plan again stays at \$170,000.<sup>3</sup>

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#### Citations.

1 - [usatoday.com/story/money/2015/10/15/cpi-for-september/73957022/](http://usatoday.com/story/money/2015/10/15/cpi-for-september/73957022/) [10/15/15]

2 - [forbes.com/sites/ashleaebeling/2015/10/21/irs-announces-2016-retirement-plans-contribution-limits-for-401ks-and-more/](http://forbes.com/sites/ashleaebeling/2015/10/21/irs-announces-2016-retirement-plans-contribution-limits-for-401ks-and-more/) [10/21/15]

3 - [irs.gov/uac/Newsroom/IRS-Announces-2016-Pension-Plan-Limitations%3B-401%28k%29-Contribution-Limit-Remains-Unchanged-at-\\$18,000-for-2016](http://irs.gov/uac/Newsroom/IRS-Announces-2016-Pension-Plan-Limitations%3B-401%28k%29-Contribution-Limit-Remains-Unchanged-at-$18,000-for-2016) [10/21/15]

4 - [shrm.org/hrdisciplines/benefits/articles/pages/2016-irs-401k-contribution-limits.aspx](http://shrm.org/hrdisciplines/benefits/articles/pages/2016-irs-401k-contribution-limits.aspx) [10/22/15]