

IRS Raises Retirement Plan Contribution Limits

Roth & traditional IRAs won't get 2015 COLAs, but other plans will.

Provided by *Benedict A. Mitchell Jr.*

A little inflation means a little adjustment. As the Consumer Price Index is up 1.7% over the last 12 months, the federal government is giving Social Security benefits a 1.7% boost for 2015 and lifting annual contribution limits on key pension plans as well.¹

401(k), 403(b), 457 & TSP annual contribution limits increase by \$500. You will be able to defer up to \$18,000 into these plans in 2015. The catch-up contribution limit will also rise by \$500 to \$6,000 next year, so if you are 50 or older in 2015 you are eligible to contribute up to \$24,000 to these retirement savings vehicles. (The above adjustments do not apply to all 457 plans.)²

SIMPLE IRAs get a similar COLA. Their base contribution and catch-up contribution limits also go up \$500 for 2015. The limit for the base contribution will be \$12,500 next year, and the catch-up limit rises to \$3,000.³

Limits also rise for SEP-IRAs and Solo(k)s. Small business owners will want to take note of the new maximum deferral amount of \$53,000 for 2015, a \$1,000 increase. As for the compensation limit factored into the savings calculation, that limit will be \$265,000 next year, \$5,000 more than the 2014 limit. A side note: the threshold for an employee to be included in a SEP plan goes up \$50 to \$600 next year (i.e., that worker has to receive \$550 or more in compensation from your business in 2015).^{2,3}

Take note of the slightly higher phase-out range for Roth IRA contributions. Next year, you won't be able to make a Roth IRA contribution if your AGI exceeds \$193,000 as a married couple filing jointly, or \$131,000 should you be a single filer or head of household. Those figures are \$2,000 above the 2014 eligibility thresholds. Joint filers with AGI of \$183,001-193,000 and singles and heads of household with AGI of \$116,001-131,000 will be able to make a partial rather than full Roth IRA contribution next year.³

Phase-out ranges on the deduction of regular IRA contributions have also been altered. Here are the 2015 adjustments to these thresholds (this gets pretty involved). If you are a single filer or file as a head of household and you contribute to a traditional IRA and you are also covered by a workplace retirement plan, the AGI phase-out range for you is \$1,000 higher next year (\$61,001-71,000). If you file jointly and contribute to a traditional IRA and are also covered by a workplace retirement plan, the AGI phase-out range is \$98,001-118,000. Above the high end of those phase-out ranges, you can't claim a deduction for traditional IRA contributions.²

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 \$183,001-193,000.²

And 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 receives a COLA).^{2,3}

AGI limits for the Saver's Credit increase. 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 \$30,500 or less; heads of household, AGI of \$45,750 or less; joint filers, \$61,000 or less.³

Contribution limits for profit-sharing plans rise as per limits for 401(k)s. A participant in such a plan is looking at a 2015 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 will be \$5,000 higher in 2015 at \$265,000.⁴

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Citations.

1 - tinyurl.com/lxbv6rq [10/21/14]

2 - [irs.gov/uac/Newsroom/IRS-Announces-2015-Pension-Plan-Limitations;-Taxpayers-May-Contribute-up-to-\\$18,000-to-their-401%28k%29-plans-in-2015](http://irs.gov/uac/Newsroom/IRS-Announces-2015-Pension-Plan-Limitations;-Taxpayers-May-Contribute-up-to-$18,000-to-their-401%28k%29-plans-in-2015) [10/23/14]

3 - forbes.com/sites/ashleaebeling/2014/10/23/irs-announces-2015-retirement-plan-contribution-limits-for-401ks-and-more/ [10/23/14]

4 - irs.gov/Retirement-Plans/COLA-Increases-for-Dollar-Limitations-on-Benefits-and-Contributions [10/23/14]