IRS Retirement Plan Adjustments for 2014

Rules changes for IRAs, 401(k)s & other savings vehicles.

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The IRS has made minor adjustments to retirement plan limitations for 2014. As inflation has been tame in 2013, these COLAs aren't dramatic; as a result, some retirement plans won't see any next year. Here is a roundup of the changes for 2014.

IRAs. Not much change here: the 2014 contribution limit is still set at $5,500, with an additional $1,000 catch-up contribution permitted for those 50 and older.[1]

The AGI phase-out ranges affecting your ability to deduct traditional IRA contributions have been slightly adjusted north:

* Single & head-of-household filers covered by a workplace retirement plan: $60,001-70,000
* Married filing jointly, you contribute to a workplace retirement plan: $96,001-116,000
* Married filing jointly, spouse contributes to workplace plan, you don't: $181,001-191,000. [1,2]

The limits on eligibility to make Roth IRA contributions have been adjusted. You can make a full Roth contribution in 2014 if your adjusted gross income does not exceed these limits:

* Single & head-of-household filers: $114,000 (phase-out range is $114,001-129,000)
* Married filing jointly: $181,000 (phase-out range is $181,001-191,000) [1,3]

401(k)s, 403(b)s, most 457 plans & the federal Thrift Savings Plan. Contribution limits on these plans are unchanged for 2014. You will be able to put up to $17,500 in these accounts next year if you are younger than 50, and $23,000 if you are 50 or older (thanks to the catch-up contribution).[2,4]

If you participate in more than one of these defined contribution retirement plans – for example, you contribute to a 401(k) and a 403(b), or two 401(k)s – you should know that the total contribution limit for both employee and employer contributions across all such accounts in 2014 is the lesser of: a) 100% of your compensation, b) $52,000 if you are younger than 50, or c) $57,500 if you are 50 or older.[5]

With regard to 401(k)s, the above limits apply to both traditional and "safe harbor" versions.[5]

SEP & SIMPLE plans. In 2014, the maximum allowable compensation used in the calculation of SEP-IRA contributions increases $5,000 to $260,000. The threshold for an employee to be included in a SEP plan remains at $550 for 2014 (that is, an employee is eligible if he or she receives at least $550 in compensation from your business for the year). SIMPLE plans see no changes to contribution limits next year: the maximum plan contribution remains at $12,000 for 2014, with catch-up contributions still limited at $2,500.[2,6]

Profit-sharing plans. The 2014 deferral limit is $17,500, the catch-up contribution limit is $2,500, the compensation limitation is $260,000, and the maximum contribution amount across multiple plans is the lesser of a) 100% of your compensation, b) $52,000 if you are younger than 50, or c) $57,500 if you are 50 or older.[4,5]

ESOPs. Next year, the dollar amount used to figure out the maximum account balance in an ESOP subject to a 5-year distribution period increases by $15,000 to $1,050,000. There is also a $5,000 rise in the dollar amount used to determine the lengthening of the 5-year distribution period – it is $210,000 in 2014.[2,4]

The dollar limitation used to define a key employee in a top-heavy plan increases. This limit was set at $165,000 for 2013. Next year, it rises to $170,000.[2,4]

Income limits for the saver's credit are slightly increasing. This federal tax credit is offered to low-income and middle-income workers saving for retirement. In 2014, you will be eligible for the credit if your AGI doesn't exceed these thresholds:

* Married filing jointly: $60,000
* Head of household: $45,000
* Married filing separately & single filers: $30,000 [3]

Keep these retirement plan adjustments in mind as you think about your financial moves for 2014.

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