

2020 Retirement Plan Limits

Type of Limitation	2020 Limits*	Explanation	Examples
Maximum Considered Compensation** (Per Plan Year)	\$285,000	Plan year compensation for a participant in excess of this amount is disregarded for plan purposes.	A participant has \$300,000 of total compensation for the 2020 plan year. The company makes a matching contribution capped at 4% of compensation deposited each pay period. The matching contribution for this participant may not exceed \$11,400 for the plan year (4% x \$285,000).
Participant Contribution Limit in a 401(k), Profit Sharing, or Other DC Plan (IRC §415) (Per Plan Year)	The lesser of: <ul style="list-style-type: none"> \$57,000; or 100% of compensation 	The aggregate of all contributions for a participant (e.g., deferral, match, profit sharing, etc.) cannot exceed this limit. This limit does not include catch-up deferrals.	<ol style="list-style-type: none"> A participant under age 50 with \$200,000 of total compensation for a plan year with deferrals of \$19,500 may be allocated an additional profit sharing contribution up to \$37,500 (\$19,500 + \$37,500 = \$57,000) Same as participant in 1 above, except that total compensation is \$50,000. The profit sharing contribution would be limited to \$30,500 (\$19,500 + \$30,500 = \$50,000). <p>In both examples, a participant may be limited from receiving their maximum contributions due to the plan's deductible contribution limit (IRC§404).</p>
Participant Deferral Basic Deferral Limit (Per Calendar Year)	\$19,500 (Aggregate of pre-tax deferrals and ROTH deferrals)	This is the basic deferral limit for all participants. The Plan's document also has a limit on the % of compensation allowable for deferrals.	A participant with at least \$19,500 of total compensation could defer up to \$19,500 from their compensation. However, limits imposed by the plan document to account for employee Social Security Tax and other withholdings usually preclude participants from deferring 100% of their compensation. Refer to your adoption agreement for the maximum allowable percentage of compensation a participant may defer to the plan.
Participant Deferral Catch-up Contributions (Per Calendar Year)	\$6,500	An additional deferral amount available for participants age 50 or older in the current plan year. Allows such participants to defer up to \$26,000 (\$19,500 + \$6,500 = \$26,000).	A participant, age 50 or older, with at least \$26,000 of total compensation could defer up to \$26,000 from their compensation. However, limits imposed by the plan document to account for employee Social Security Tax and other withholdings usually preclude participants from deferring 100% of their compensation. Refer to your adoption agreement for the maximum allowable percentage of compensation a participant may defer to the plan.
Highly Compensated Employee (HCE) (Compensation for an HCE is based on the prior plan year)	<ul style="list-style-type: none"> More than \$125,000 in the prior plan year; or More-than-5% direct or indirect owner of the company 	HCE determination using the dollar threshold is based on compensation paid in the prior plan year . Indirect Owners are certain relatives of owner (e.g., spouse, child, parents, etc.)	<ol style="list-style-type: none"> A participant who makes \$130,000 in the 2020 plan year and made \$130,000 in the prior plan year is an HCE in the 2020 plan year. A participant who makes \$130,000 in the 2020 plan year but made \$100,000 in the prior year is NOT an HCE in the 2020 plan year, unless they are more than a 5% direct or indirect owner.
Key Employee (Compensation for a Key Employee is based on the prior plan year)	<ul style="list-style-type: none"> A more-than-5% owner of the company Certain relatives of the above (e.g., spouse, children, parents, etc.) An officer with compensation greater than \$180,000. A more-than-1% owner with compensation greater than \$150,000 	Used in certain plan determinations and testing, specifically Top Heavy Determination which considers benefits due to key employees. A plan is Top Heavy if more than 60% of the benefits due from all plans sponsored by the Employer belong to key employees. Any more-than-5% direct or indirect owner is also an HCE.	<ol style="list-style-type: none"> The spouse of a 25% owner of the business is an employee of the business with annual compensation of \$50,000. The spouse is a Key Employee and also a HCE. The child of a 25% owner of the business is an employee of the business with annual compensation of \$15,000. The child is a Key Employee and also a HCE. An officer of the company with no ownership with compensation greater than \$180,000 in the prior plan year is a Key Employee and also a HCE.
Defined Benefit Maximum Annual Benefit At Retirement (IRC §415) (individual Limit)	The lesser of: <ul style="list-style-type: none"> \$230,000; or 100% of the average of the highest three consecutive year annual compensation. 	This is the annual benefit payable at retirement that may be funded for in a DB or Cash Balance plan. A participant's 415 limit will supersede the plan's formula, if the plan's formula would produce a benefit greater than the 415 limit.	<ol style="list-style-type: none"> Participant has established a high consecutive three year average compensation of \$265,000 and has 10 years of participation in a DB or Cash Balance plan. The plan may fund for an annual benefit for that participant of up to \$230,000 per year beginning at the plan's retirement age. Participant has established a high consecutive three year average compensation of \$100,000 and has 10 years of participation in a DB or Cash Balance plan. The plan may fund for an annual benefit for that participant of up to \$100,000 per year beginning at the plan's retirement age.

* Dollar limits assume a 12/31 plan year end, and are indexed.

**Compensation for this purpose is total gross wages or self-employment income (partners; sole props; etc.) for the plan year.

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