IRS Retirement Plan Adjustments for 2014
Rules changes for IRAs, 401(k)s & other savings vehicles.

Provided by Benedict A. Mitchell Jr.

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

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

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Citations.
3 - blogs.marketwatch.com/encore/2013/10/31/irs-releases-2014-limits-for-401ks-iras/ [10/31/13]