Pension Update

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This montthly newsletter highlights new and timely issues in the world of retirement plans, including planning strategies and tax-planning tips.

Provided by:

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IRS Announces Retirement Plan Limits for 2013

Cost of Living Adjustments Effective for Plan Years Beginning 1/1/2013

On October 18, 2012, the Internal Revenue Service announced the cost-of-living adjustments that apply to retirement plans and other relevant limits for the tax year beginning on January 1, 2013. Akin to 2012, we once again see modest increases in some of the limits.

In a similar fashion, on October 16, the Social Security Administration announced that a 1.7 percent adjustment to benefits and limits will be made for 2013, and the Social Security Taxable Wage base will increase from $110,100 to $113,700. The Temporary Payroll Tax Cut Continuation Act of 2011 reduced the Social Security payroll tax rate by 2% to 4.2% on the portion of the tax paid by the employee through the end of February 2012. The Middle Class Tax Relief and Job Creation Act of 2012 extended the reduction through the end of 2012. Under current law, this temporary reduction expires at the end of December 2012.

We have highlighted the year-over-year changes in the below table for easy identification.*

	2013	2012	2011	2010	2009	2008	2007
Elective deferral limit for 401(k), Roth 401(k), 403(b), & 457 Plans	**$17,500**	**$17,000**	$16,500	$16,500	**$16,500**	$15,500	$15,500
Catch-up contribution limit for 401(k), Roth 401(k), 403(b), & 457 Plans	$5,500	$5,500	$5,500	$5,500	$5,500	$5,000	$5,000
Elective deferral limit for SIMPLE IRA Plans	**$12,000**	$11,500	$11,500	$11,500	**$11,500**	$10,500	$10,500
Catch-up contribution limit for SIMPLE IRA Plans	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500
Annual addition limit for defined contribution plans	**$51,000**	**$50,000**	$49,000	$49,000	**$49,000**	**$46,000**	$45,000
Annual addition limit to SEP IRA Plans	**$51,000**	**$50,000**	$49,000	$49,000	**$49,000**	**$46,000**	$45,000
Maximum plan compensation for retirement plan purposes	**$255,000**	**$250,000**	$245,000	$245,000	**$245,000**	**$230,000**	$225,000
Annual benefit limit for defined benefit plans	**$205,000**	**$200,000**	$195,000	$195,000	**$195,000**	**$185,000**	$180,000
Threshold amount for definition of a highly compensated employee**	$115,000	**$115,000**	$110,000	$110,000	**$110,000**	**$105,000**	$100,000
Threshold amount for definition of a key employee in top heavy plans	$165,000	**$165,000**	$160,000	$160,000	**$160,000**	**$150,000**	$145,000
SEP IRA compensation threshold for eligibility	$550	$550	$550	$550	**$550**	$500	$500
Social Security Taxable Wage Base	**$113,700**	**$110,100**	$106,800	$106,800	**$106,800**	**$102,000**	$97,500
IRA or Roth IRA contribution limit	**$5,500**	$5,000	$5,000	$5,000	$5,000	$5,000	$4,000
Catch-up contribution limit for IRA or Roth IRA	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
IRA Deduction phase-out limit for active plan participants starts at							
Single	**$59,000**	**$58,000**	$56,000	$56,000	**$55,000**	**$53,000**	$52,000
Married Filing Jointly	**$95,000**	**$92,000**	**$90,000**	$89,000	**$89,000**	**$85,000**	$83,000
Married Filing Jointly and one spouse is covered by a plan	**$178,000**	**$173,000**	**$169,000**	**$167,000**	**$166,000**	**$159,000**	$156,000
Roth IRA contribution phase-out limit starts at							
Single	**$112,000**	**$110,000**	**$107,000**	$105,000	**$105,000**	**$101,000**	$99,000
Married Filing Jointly	**$178,000**	**$173,000**	**$169,000**	**$167,000**	**$166,000**	**$159,000**	$156,000

For more information on how these limits may affect your financial and retirement planning needs, please contact our office.

**This Summary is designed to provide an overview of the dollar limitations for retirement plans and other relevant limits for 2013 and is not intended to be comprehensive.*
*** To be used for determination of the Highly Compensated Employee status in 2013 based on 2012 earnings.*

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