

LEGAL UPDATE

IRS Announces 2022 Retirement Plan Limits

The Internal Revenue Service (IRS) has released [Notice 2021-61](#), containing cost-of-living adjustments for 2022 that affect amounts employees can contribute to 401(k) plans and individual retirement accounts (IRAs).

2022 Increases

The employee contribution limit for **401(k) plans in 2022 has increased to \$20,500**, up from \$19,500 for 2021 and 2020. Other key limit increases include the following:

- The employee contribution limit for **SIMPLE IRAs and SIMPLE 401(k)** plans is increased to **\$14,000**, up from \$13,500.
- The limits used to define a “highly compensated employee” and a “key employee” are increased to **\$135,000** (up from \$130,000) and **\$200,000** (up from \$185,000), respectively.
- The **annual limit for defined contribution plans** (for example, 401(k) plans, profit-sharing plans and money purchase plans) is increased to **\$61,000**, up from \$58,000.
- The **annual compensation limit** (applicable to many retirement plans) is increased to **\$305,000**, up from \$290,000.

The income ranges for determining eligibility to make deductible contributions to traditional IRAs, contribute to Roth IRAs and claim the Saver’s Credit (also known as the Retirement Savings Contributions Credit) also increased for 2022. The IRS’ [news release](#) contains more details.

Unchanged Amounts

Key limits that remain unchanged include the employee contribution limit for **IRAs** (remaining at **\$6,000**) and the catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans and the federal government’s Thrift Savings Plan (remaining at **\$6,500**).

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Important Dates

Nov. 4, 2021

The IRS released the 2022 retirement plan limits.

Jan. 1, 2022

The effective date of the 2022 retirement plan limits.

The amount individuals can contribute to their 401(k) plans in 2022 has increased to \$20,500.