



# Cost of Living Adjustment

## SAVE MORE FOR RETIREMENT IN 2022

ON NOVEMBER 4, 2021, THE IRS ANNOUNCED THE COST OF LIVING ADJUSTMENTS AFFECTING THE DOLLAR LIMITATIONS FOR RETIREMENT PLANS FOR 2022. In October, the Social Security Administration announced a benefit increase of 5.9%, the largest increase in nearly 40 years. Following suit, many retirement plan limits have increased as well over the 2021 levels. Contribution and benefit increases are intended to allow participant contributions and benefits to keep up with the “cost of living” from year to year. Here are the highlights from the 2022 limits:

- The calendar year elective deferral limit increased from \$19,500 to \$20,500.
- The elective deferral catch-up contribution remains unchanged at \$6,500. This contribution is available to all participants age 50 or older in 2022.
- The maximum allowable dollar amount that can be contributed to a participant’s retirement account in a defined contribution plan increased from \$58,000 to \$61,000. The limit includes both employee and employer contributions as well as any allocated forfeitures. For those over age 50, the annual addition limit increases by \$6,500 to include catch-up contributions.
- The maximum amount of compensation that can be considered in retirement plan compliance has been raised from \$290,000 to \$305,000.
- Annual income subject to Social Security taxation has increased to \$147,000 from \$142,800.

Annual Plan Limits	2022	2021	2020
<b>Contribution and Benefit Limits</b>			
Elective Deferral Limit	\$20,500	\$19,500	\$19,500
Catch-Up Contributions	\$6,500	\$6,500	\$6,500
Annual Contribution Limit	\$61,000	\$58,000	\$57,000
Annual Contribution Limit including Catch-Up Contributions	\$67,500	\$64,500	\$63,500
Annual Defined Benefit Limit	\$245,000	\$230,000	\$230,000
<b>Compensation Limits</b>			
Maximum Plan Compensation	\$305,000	\$290,000	\$285,000
Income Subject to Social Security	\$147,000	\$142,800	\$137,700
Key EE Compensation Threshold	\$200,000	\$185,000	\$185,000
Highly Compensated EE Threshold	\$135,000	\$130,000	\$130,000
<b>IRA Limits</b>			
SIMPLE Plan Elective Deferrals	\$14,000	\$13,500	\$13,500
SIMPLE Catch-Up Contributions	\$3,000	\$3,000	\$3,000
Individual Retirement Account (IRA)	\$6,000	\$6,000	\$6,000
IRA Catch-Up Contribution	\$1,000	\$1,000	\$1,000

If you have any questions on how these increases will affect your plan, please contact your representative. ■