



Mercer projects 2021 retirement plan limits

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Most key Internal Revenue Code (IRC) limits for qualified retirement plans won't increase in 2021, Mercer projects. The 415(c) maximum annual addition and the 401(a)(17) limit on retirement plan compensation will likely rise to the next rounding increment, but these limits are so close to the rounding breakpoint that even minimal deflation may keep the amounts at the 2020 levels.

These estimates are determined using the tax code's cost-of-living adjustment and rounding methods, the Consumer Price Index for All Urban Consumers (CPI-U) through June, and estimated CPI-U values for July–September. Qualified plan limits are based on the year-to-year increase in the third-quarter CPI-U, so figures can't be finalized until after September CPI-U values are published in October. IRS is expected to announce the official 2021 limits in late October or early November.

IRC retirement plan limit	Projected 2021	2020
401(k), 403(b) and eligible 457 plan elective deferrals (and designated Roth contributions)	\$19,500	\$19,500
414(v)(2)(B)(i) catch-up contributions (plans other than SIMPLE plans)	6,500	6,500
415(b) defined benefit plan maximum annuity	230,000	230,000
415(c) defined contribution plan maximum annual addition	58,000*	57,000
401(a)(17) and 408(k)(3)(C) compensation	290,000*	285,000
414(q)(1)(B) highly compensated employee and 414(q)(1)(C) top-paid group	130,000	130,000
416(i)(1)(A)(i) officer compensation for top-heavy plan key employee	185,000	185,000

* Unrounded projected limit is so close to the rounding breakpoint that minimal deflation may keep the limit at 2020 level.

Related resources

- [Quick benefit facts for 2020](#) (Jan. 27, 2020)
- [Summary of 2020 benefit-related cost-of-living adjustments](#) (Jan. 27, 2020)
- [Quick benefit facts and COLA resources for benefit plans](#) (2017–2020)

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