



2020 RETIREMENT PLAN LIMITS

The Internal Revenue Service (IRS) has released the 2020 cost-of-living adjustments (COLA) applicable to pension plan contribution limits. Also provided are the contribution, income, and deductibility limits for traditional IRA, Roth IRA, and Coverdell ESAs.

Lord Abbett believes the information in this flyer to be an accurate statement of current rules; however, prospective investors should consult their investment professional and/or tax advisor.

	2019	2020
401(k) Salary (Elective) Deferrals – (IRC §402(g)(1)) ¹	\$19,000	\$19,500
401(k) Catch-Up Salary (Elective) Deferrals – (IRC §414(v)) ²	\$6,000	\$6,500
Highly Compensated Employee – (HCE) (IRC §414(q)(1)(B)) ³	\$125,000	\$130,000
Compensation – Key Employee Officer (IRC §416(i)(1)(A)(i)) ⁴	\$180,000	\$185,000
403(b) Salary (Elective) Deferrals – (IRC §402(g)(1)) ¹	\$19,000	\$19,500
403(b) Catch-Up Salary (Elective) Deferrals – (IRC §414(v)) ²	\$6,000	\$6,500
457 Nonqualified Deferred Compensation – (IRC §457(e)(15))	\$19,000	\$19,500
457 Catch-Up Salary (Elective) Deferrals – (IRC §414(v))	\$6,000	\$6,500
SIMPLE IRA Salary (Elective) Deferrals – (IRC §402(g)(1))	\$13,000	\$13,500
SIMPLE IRA Catch-Up Salary (Elective) Deferrals – (IRC §414(v))	\$3,000	\$3,000
SEP Minimum Compensation – (IRC §408(k)(2)(c))	\$600	\$600
SEP Compensation – (IRC §408(k)(3)(c))	\$280,000	\$285,000
Annual Compensation Limit – (IRC §401(a)(17))	\$280,000	\$285,000
Annual Defined Contribution Limit	\$56,000	\$57,000
Annual Defined Benefit Limit – (IRC §415(b))	\$225,000	\$230,000
Taxable Wage Base (Social Security)	\$132,900	\$137,700
Federal Insurance Contribution Act (FICA) Tax – Employee & Employer	15.3%	15.3%
Social Security Tax – Employee & Employer ⁵	12.4%	12.4%
Medicare Tax – Employee & Employer ⁶	2.9%	2.9%
Self-Employment Contribution Act (SECA) – Self-Employed Individuals ⁷	15.3%	15.3%

SAVER'S TAX CREDIT

The saver's credit is a nonrefundable federal income tax credit available to individuals with an adjusted gross income (AGI) of less than \$65,000. Salary-deferral contributions to a 401(k), 403(b), governmental 457(b), SIMPLE IRA, and SAR SEP can reduce an individual's AGI, creating Saver's Tax Credit eligibility. In addition, the credit is available for contributions to a traditional or Roth IRA. The maximum annual contribution eligible for the credit is \$2,000, and the maximum credit is 50%, making the maximum saver's credit \$1,000.

2020 TAX CREDIT				
TAX FILING STATUS	50% of Contribution	20% of Contribution	10% of Contribution	Not Eligible for Credit
Married filing jointly (AGI)	Not to exceed \$39,000	\$39,001–42,500	\$42,501–65,000	Greater than \$65,000
Head of household (AGI)	Not to exceed \$29,250	\$29,251–31,875	\$31,876–48,750	Greater than \$48,750
Single (AGI)	Not to exceed \$19,500	\$19,501–21,250	\$21,251–32,500	Greater than \$32,500



INDIVIDUAL RETIREMENT ACCOUNTS

TRADITIONAL IRA	2019	2020
Traditional IRA contribution limit	\$6,000	\$6,000
Traditional IRA catch-up contribution limit	\$1,000	\$1,000

DEDUCTIBLE CONTRIBUTION ELIGIBILITY INCOME PHASEOUT RANGES

TAX FILING STATUS	2019 INCOME	2020 INCOME
Single (MAGI) ⁸	\$64,000–74,000	\$65,000–75,000
Married filing jointly (MAGI) ⁹	\$103,000–123,000	\$104,000–124,000
Married filing jointly (MAGI) ¹⁰	\$193,000–203,000	\$196,000–206,000

Even if you and your spouse are not active participants in an employer-sponsored retirement plan for any part of a year, either of you would be eligible to make a fully deductible traditional IRA contribution irrespective of both your incomes, as long as it equals or exceeds a single or joint contribution.

ROTH IRA	2019	2020
Roth IRA contribution limit	\$6,000	\$6,000
Roth IRA catch-up contribution limit	\$1,000	\$1,000

TAX FILING STATUS	2019 INCOME PHASEOUT	2020 INCOME PHASEOUT
Single (MAGI)	\$122,000–137,000	\$124,000–139,000
Married filing jointly/Head of household (MAGI)	\$193,000–203,000	\$196,000–206,000
Married filing separately (MAGI)	\$0–10,000	\$0–10,000

COVERDELL EDUCATION SAVINGS ACCOUNT	2019	2020
Coverdell ESA contribution limit	\$2,000	\$2,000

COVERDELL ESA INCOME LIMITS

TAX FILING STATUS	Full Contribution	Partial Contribution	Not Eligible for Credit
Single (MAGI)	Up to \$95,000	\$95,001–110,000	Greater than \$110,000
Married filing jointly (MAGI)	Up to \$190,000	\$190,001–220,000	Greater than \$220,000

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¹ Salary deferral limit includes pretax and Roth aftertax contributions.

² "Catch-up" contribution is available for individuals age 50 or older. To be eligible, an individual needs to turn 50 by December 31 of the applicable year.

³ An HCE is defined as any person who was a 5% owner at any time during the current or the preceding ("look-back") year, or who, for the "look-back" year, had compensation in excess of \$125,000. Some exceptions to compensation may apply within individual plans.

⁴ A key employee is defined as any employee who, at any time during the plan year, is an officer, having annual compensation greater than \$185,000 in 2020, a 5% owner of the employer, or a 1% owner of the employer who receives annual compensation from the employer of more than \$150,000. The number of officers cannot exceed the lesser of 50 or 10% of the number of employees.

⁵ The maximum amount of compensation subject to Social Security taxation is \$137,700 in 2020.

⁶ An income cap does not apply to the Medicare tax.

⁷ The self-employed individual is responsible for both halves of the self-employment tax.

⁸ Deductibility of contributions is based on an individual receiving or making contributions through a work retirement plan.

⁹ Deductibility of contributions is based on both spouses being covered by a work retirement plan.

¹⁰ Deductibility of contributions is based on one spouse being covered by a work retirement plan.