HHM Wealth Advisors, LLC

2022 IRS LIMITS ON RETIREMENT PLAN BENEFITS AND COMPENSATION

As published in IRS News Release IR-2021-216, Nov. 4, 2021

	2022	2021	2020
401(k), 403(b), 457 Elective Deferral Limit	$20,500	$19,500	$19,500
Catch-Up Contribution Limit (age 50 and older)	$6,500	$6,500	$6,000
Annual Compensation Limit	$305,000	$290,000	$285,000
Defined Contribution Limit	$61,000	$58,000	$57,000
Defined Benefit Limit	$245,000	$230,000	$230,000
Definition of Highly Compensated Employee	$135,000	$130,000	$130,000
Key Employee	$200,000	$185,000	$185,000
IRA/Roth Contribution Limit	$6,000	$6,000	$6,000
IRA/Roth Catch-Up Contributions (age 50 and older)	$1,000	$1,000	$1,000

For more information about retirement plan limits, please contact your plan advisor, or click Notice 2021-61 (PDF)

HIGHLIGHTS OF CHANGES FOR 2022

The contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan has increased to $20,500.

The catch-up contribution limit for employees aged 50 and over who participate in these plans remains unchanged at $6,500. The limitation regarding SIMPLE retirement accounts for 2022 has increased to $14,000.

The income ranges for determining eligibility to make deductible contributions to traditional Individual Retirement Arrangements (IRAs), to contribute to Roth IRAs and to claim the Saver's Credit all increased for 2022.

Taxpayers can deduct contributions to a traditional IRA if they meet certain conditions. If during the year either the taxpayer or his or her spouse was covered by a retirement plan at work, the deduction may be reduced, or phased out, until it is eliminated, depending on filing status and income. (If neither the taxpayer nor his or her spouse is covered by a retirement plan at work, the phase-outs of the deduction do not apply.)

Here are the phase-out ranges for 2022:

- For single taxpayers covered by a workplace retirement plan, the phase-out range is $68,000 to $78,000, up from $66,000 to $76,000.
- For married couples filing jointly, where the spouse making the IRA contribution is covered by a workplace retirement plan, the phase-out range is $109,000 to $129,000, up from $105,000 to $125,000.
- For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between $204,000 and $214,000, up from $198,000 and $208,000.
- For a married individual filing a separate return who is covered by a workplace retirement plan, the phase-out range is not subject to an annual cost-of-living adjustment and remains $0 to $10,000.

The income phase-out range for taxpayers making contributions to a Roth IRA is $129,000 to $144,000 for singles and heads of household, up from $125,000 to $140,000. For married couples filing jointly, the income phase-out range is $204,000 to $214,000, up from $198,000 to $208,000. The phase-out range for a married individual filing a separate return who makes contributions to a Roth IRA is not subject to an annual cost-of-living adjustment and remains $0 to $10,000.

The income limit for the Saver's Credit (also known as the Retirement Savings Contributions Credit) for low- and moderate-income workers is $68,000 or married couples filing jointly, up from $66,000; $51,000 for heads of household, up from $49,500; and
$34,000 for singles and married individuals filing separately, up from $33,000.

Key limit remains unchanged

The limit on annual contributions to an IRA remains unchanged at $6,000. The additional catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment and remains $1,000.

Details on these and other retirement-related cost-of-living adjustments for 2022 are [IRS News Release IR-2021-216](), available on [IRS.gov]().

PLANNING STRATEGIES

Typically, funding employer sponsored plans (via payroll deductions) must occur by 12/31, but indiviual IRAs and Roth IRAs can still be funded up until your tax filing deadline. In addition, if you are a business owner or self employed, you may be elligible to fund a company sponsored plan known as a Simplified Employee Pension (SEP). A SEP historically was the only employer sponsored plan that could be set up and funded after 12/31, up until your tax filing deadline.

Historically, employers looking to adopt a qualified retirement plan would have to do so by the last day of their taxable year. But effective for 2020 and later taxable years, the SECURE Act allows plans to be established up until the employer's tax filing due date, plus extensions if applicable. The deadline is now consistent with long-prescribed deadlines for establishing SEP plans. Because deferral contributions cannot be made on income already received, the retroactive effective date does not apply to a plan's elective deferral feature.

If one qualifies, he/she can fund both their employer sponsored plan and an individual retirement account in the same tax years. If you are over the contribution limits to fund individual deductible IRAs or Roth IRAs, you may want to consider funding a non-deductible IRA and then converting it to a Roth IRA. Spouses with no earned income can still fund individual retirement accounts based on their spouse's earnings.

If you are over 70.5 and are charitably inclined, you can make Qualifed Charitable Distributions (QCDs) up to $100,000 annually directly from your IRA. This can be a particularly benficial strategy if you already must take a Required Minimum Distribution (RMD). A QCD counts towards your RMD and allows you to avoid income tax on that portion of your RMD.

Some planning strategies entail complex reporting and may impact other aspects of your financial life. HHM Wealth is happy to help you identify appropriate tax and investment strategies.