

2021 Retirement Plan Maximums and Limits and Saver's Credit

The Internal Revenue Service (IRS) has announced the dollar maximums and limits for qualified pension plans for 2021. These reflect the applicable cost-of-living adjustments required by the federal tax law and provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) that are effective for the 2021 tax year only.

Sections 1–3 highlight contribution maximums and limits established by the IRS for various retirement plans. All dollar amounts are effective January 1, 2021; changes, if any, from 2020 are noted. Section 4 highlights annual compensation amounts for highly compensated employees and key employees in a top-heavy plan. Section 5 highlights the Saver's Credit tax credit for 2021.

1. Retirement Plan Dollar Maximums for 2021

The following table highlights contribution maximums established by the IRS for various retirement plans. All dollar amounts are effective January 1, 2021.

¹ If annual compensation is less than the applicable limits shown, then the maximum contribution is limited to 100% of compensation.

² If you contribute to a TDA, 403(b) Thrift and/or 401(k), then generally the total amount contributed to all plans may not exceed \$19,500 (\$26,000, if age 50 or older). Exceptions apply to certain 403(b) plan participants and Governmental 457(b) plan participants.

³ Tax-Deferred Annuity, 403(b), 401(k) and Governmental Section 457(b) Plans. Non-governmental Section 457(b) Eligible Deferred Compensation Plans are not permitted to make age 50 catch-ups, but can make a special catch-up contribution if they are within three years of their normal retirement age.

Retirement Plan Dollar Maximums for 2021			
Plan	Maximum Elective Deferral or Contribution Limit ¹	Increase from 2020	Age 50 and Older Additional "Catch-Up" Contribution Limit
TDA, 403(b) Thrift and 401(k) ²	\$19,500	\$0	\$6,500 ³
SIMPLE IRA and SIMPLE 401(k)	\$13,500	\$0	\$3,000
Traditional IRA and Roth IRA	\$6,000	\$0	\$1,000
Section 457(b) Eligible Deferred Compensation	\$19,500	\$0	\$6,500 ³

2. Retirement Plan Compensation Limits for 2021

These are limits established by the Internal Revenue Code. In some cases, employers may set lower annual limits for your plan. In addition, these limits are generally applied in the aggregate.

The elective deferral limit applies to all voluntary salary reduction amounts made by an employee to any plan. The defined contribution plan annual additions limit applies to all annual additions to all defined contribution plans (including 401(k) and profit-sharing plans) and SEP-IRAs of the same employer. Additional limits may apply, depending on the type of plan, which may further limit elective deferrals and/or annual additions. Contribution limits are not necessarily equal to employer deduction limits, and generally, these plans also further limit contributions for taxable employers to the deduction limit.

Similarly, the limit on annual benefits in a defined benefit plan applies to all defined benefit plans of the same employer and cannot exceed 100% of a participant's average compensation, if less. This annual benefit limit is expressed as a non-refund life annuity at age 65 and is reduced for different forms and ages and for participation of less than 10 years, and may be further reduced if certain provisions are applicable, such as cost-of-living adjustment features.

Retirement Plan Compensation Limits for 2021		
Plan	Annual Compensation Limit for Contribution Purposes	Increase from 2020
TDA, 403(b) Thrift and 401(k), Defined Benefit and Defined Contribution Plans	\$290,000 maximum compensation	\$5,000
SEP participant requirements	\$650 minimum compensation	\$50
SEP discrimination requirements	\$290,000 maximum compensation	\$5,000
Roth IRA	Contribution limit is reduced or eliminated based on the amount by which the taxpayer's Adjusted Gross Income (AGI) minus an "applicable AGI amount" exceeds \$15,000 (\$10,000 for married taxpayers filing a joint return). <i>Applicable AGI amounts for 2021:</i> \$198,000 to \$208,000 (married filing joint return) \$0 to \$10,000 (married filing separate return) \$125,000 to \$140,000 (all other taxpayers)	\$2,000 unchanged \$1,000
Traditional IRA	Deduction for contribution is reduced or eliminated for an active participant in an employer-sponsored retirement plan, based on the amount by which the taxpayer's AGI minus an "applicable AGI amount" exceeds \$10,000 (\$20,000 for an active participant who is a married taxpayer filing a joint return). <i>Applicable AGI amounts for 2021 for active participants:</i> \$105,000 to \$125,000 (married filing joint return) \$0 to \$10,000 (married filing separate return) \$66,000 to \$76,000 (all other taxpayers) For a married taxpayer filing a joint return who is not an active participant in an employer-sponsored retirement plan, but whose spouse is, the \$10,000 amount mentioned above is not increased to \$20,000 and the "applicable AGI amount" for 2021 is \$198,000 (\$2,000 increase from 2020).	\$1,000 unchanged \$1,000

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3. Retirement Plan Dollar Limits for 2021

These are limits established by the Internal Revenue Code. In some cases, employers may set lower annual limits for their plan(s). In addition, these limits are generally applied in the aggregate.

The defined contribution plan annual additions limit applies to all annual additions to all defined contribution plans (including 401(k) and profit-sharing plans) and SEP-IRAs of the same employer and cannot exceed 100% of a participant's average compensation, if less.

4. Retirement Plan Annual Compensation Amounts for 2021

These amounts are established by the Internal Revenue Code.

5. Saver's Credit for 2021

The Saver's Credit is a tax credit of up to \$1,000 (\$2,000 if married filing jointly) for low- and moderate-income taxpayers who contribute to a traditional or Roth IRA, 401(k), 403(b), governmental 457 or SIMPLE IRA plan. The credit is equal to 50%, 20%, 10% or 0% of your contribution, depending on your adjusted gross income. The following table shows the income limits to claim the credit for 2021.

The tax information contained herein is for informational purposes only. You should consult your financial adviser or attorney regarding your individual circumstances.

Retirement Plan Dollar Limits for 2021		
Plan	Applicable Maximum	Increase from 2020
Defined Benefit	\$230,000 on annual benefits*	\$0
Defined Contribution	\$58,000 or 100% of compensation, whichever is less, on contributions	\$1,000

*Or 100% of compensation for high 3 years, whichever is less.

Retirement Plan Annual Compensation Amounts for 2021		
Plan	Applicable Maximum	Increase from 2020
Definition of Highly Compensated Employee	\$130,000	\$0
Definition of Key Employee in a Top-Heavy Plan	\$185,000	\$0

Saver's Credit for 2021			
Credit Rate (% of Contribution)	Married Filing Jointly	Head of Household	All Other Filers**
50%	Up to \$39,500	Up to \$29,625	Up to \$19,750
20%	\$39,501–\$43,000	\$29,626–\$32,250	\$19,751–\$21,500
10%	\$43,001–\$66,000	\$32,251–\$49,500	\$21,501–\$33,000
0%	\$66,001 & up	\$49,501 & up	\$33,001 & up

**Single, married filing separately or qualifying widow(er).

You should consider the investment objectives, risks, and charges and expenses of the variable annuity contract and the underlying investment funds carefully before investing. This and other information is contained in the contract prospectus or brochure and underlying funds prospectuses and summary prospectuses, which can be obtained by calling 800.468.3785 or visiting mutualofamerica.com. Read them carefully before investing.

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