

PLAN CONTRIBUTION LIMITS

ERISA requires all qualified retirement plans to comply with limiting the amount of annual contributions or benefits. Read below to learn more about how much can be funded to different types of qualified retirement plans.

ANNUAL DOLLAR LIMITS		
The table below shows the 2009 and 2008 dollar limitations that affect qualified plans.		
Description	2009	2008
401(k) Deferrals	\$16,500	\$15,500
401(k) Catch-up	5,500	5,000
SIMPLE Deferrals	11,500	10,500
SIMPLE Catch-up	2,500	2,500
Section 415 Limit	49,000	46,000
Defined Benefit Limit	195,000	185,000
Compensation Limit	245,000	230,000
HCE Comp Limit	110,000	105,000
SS Wage Limit	106,800	102,000

DEFINED BENEFIT PLANS

While defined benefit plans have a limit on the annual amount that participants receive at retirement age (\$195,000 for 2009), there is no statutory limit on the amount that can be funded to a defined benefit plan each year. Defined Benefit Plans are **required** to fund an annual contribution in an amount to fully pay for all benefits accrued. This amount is calculated by an actuary each year and depends on actuarial factors such as plan assets and asset growth, interest rates, employee ages and turnover, and others. Defined benefit plans can allow much greater contributions than defined contribution plans.

DEFINED CONTRIBUTION PLANS

Defined Contribution Plans, such as profit sharing and 401(k) Plans, contain limits on the amount of annual contributions that can be funded to the plan. These include both participant and plan-wide limits. In determining contributions, employers must exclude salary above the annual Compensation Limit, which is \$245,000 for 2009.

PARTICIPANT-LEVEL LIMITS

Participants in defined contribution plans are subject to several specific limits on how much can be allocated to their individual retirement accounts. These limits are indexed annually for inflation.

Profit Sharing Plans - No participant can receive annual additions (contributions and forfeitures) from a profit sharing plan in excess of the IRC §415 Limit of 100% of Salary or \$49,000 for 2009.

401(k) Plans - For 2009, an employee can defer up to \$16,500 of his own salary into a 401(k) Plan. However, no employee can exceed the IRC §415 Limit of 100% of Salary or \$49,000, when considering all contributions (i.e., employee, employer matching, and profit sharing). Highly Compensated Employees (HCEs) may also be limited in the amount of salary deferrals and matching contributions, because of the ADP and ACP Tests. Safe Harbor 401(k) Plans are typically not subject to the ADP and ACP Test.

EMPLOYER TAX DEDUCTION LIMITS

Employers are limited in the amount they can contribute to qualified plans. Employers may claim a tax deduction for contributions (either matching or profit sharing contributions) of up to 25% of eligible payroll. Employee Salary Deferral Contributions are not subject to this limit, and can be claimed as an additional tax deduction by the employer.