



2005 Employee Benefit Plan Limits - IRS and Social Security Limits

Insights
12.07.04

These charts report new limits for 2005 that are of interest to sponsors of benefit plans. These new limits and rates are determined using the September 2004 consumer price index (CPI-W), which was released on October 19, 2004.

IRS RETIREMENT PLAN LIMITS

The Internal Revenue Service (IRS) dollar limits for qualified plans and other tax-favored retirement plans for 2005 are shown in bold type in the table below.

IRS Retirement Plan Limits	2004	2005
Maximum Annual § 415 Payout at Age 62 from a Defined Benefit Plan*	\$165,000	\$170,000
Maximum Annual Contribution to an Individual's Defined Contribution Account under § 415(c)	41,000	42,000
Maximum Elective § 401(k) and § 403(b) Deferrals	13,000	14,000
§ 457 Deferral Limit	13,000	14,000
§ 401(k) and § 403(b) Catch-Up Limit for Individuals Age 50 and Older	3,000	4,000
Maximum Amount of Annual Compensation that Can Be Taken into Account for Determining Benefits or Contributions under a Qualified Plan	205,000	210,000
§ 414(q) Test to Identify Highly Compensated Employees	90,000	95,000

*These are late-retirement adjustments for benefits starting after age 65.

SOCIAL SECURITY LIMITS

The second table below notes the inflation-adjusted limits for 2005. Equivalent figures for 2004 are also shown for comparative purposes. Information about the 2005 numbers is also available on the Social Security Administration's website at <http://www.ssa.gov/OACT/COLA/autoAdj.html>.

Social Security Benefit Limits	2004	2005
Wage Base:		
	\$87,900	\$90,000
a) for Social Security Tax	No Limit	No Limit
b) for Medicare		
Cost-of-Living Adjustment (COLA) Increase	2.1%	2.7%
Maximum Social Security Benefit For a Worker Retiring at Age 65 and	\$1,825/month	\$1,939/month

4 Months in 2004 and for a Worker Retiring at Age 65 and 6 months in 2005 (Social Security Normal Retirement Age – SSNRA)