

Employer-Sponsored Retirement Contribution Limits

By Louis E. Conrad II

- ▶ For 2012, the maximum contribution to employer-sponsored retirement accounts has increased by \$500, though the maximum contribution to SIMPLE IRAs is unchanged.
- ▶ Contributions to employer-sponsored accounts allow you to save for your retirement, usually on a pre-tax basis, thereby lowering the taxes you pay.

The arrival of a new year has brought some changes to the contribution limits of employer-sponsored retirement accounts. This month we review the latest provisions.

The amount that you may contribute to an employer-sponsored retirement account has increased slightly for 2012. For 401(k), 403(b), and 457 plans, offered by corporate, non-profit, and government employers, respectively, the maximum you may contribute via payroll deduction to such plans has increased by \$500 to \$17,000 annually. The increase is due to the cost-of-living index, which met the statutory threshold that allows for an adjustment in the maximum contribution level. This is the first increase since 2009.

If you will be 50 years of age or older by December 31, 2012, you may contribute an additional \$5,500 in 2012 (also known as the “catch-up” provision),

though this amount is unchanged from last year. Consequently, if you will be at least 50 years of age during 2012, you may contribute a total of \$22,500 to an employer-sponsored retirement account. Contributions to your employer-sponsored retirement account, when made on a pre-tax basis, have the benefit of lowering your taxable income (and thus your taxes), as well as assisting in saving for your retirement.

For those with SIMPLE IRAs, the maximum annual contribution remains unchanged at \$11,500, as does the “catch-up” provision of an additional \$2,500 for those individuals over 50.

If you have not yet retired and have sufficient cash flow, consider increasing your retirement contributions in order to be better prepared financially for your retirement. You may also reduce the taxes you would otherwise pay.

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Louis E. Conrad II, CFA
President

COMPASS Wealth Management
Post Office Box 250
Lexington, Massachusetts 02420

lconrad@compassinvest.com
www.compassinvest.com

Tel: (978) 828-5681
Fax: (781) 862-7030

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