


Select Portfolio Management, Inc

26800 Aliso Viejo Parkway
Suite 150
Aliso Viejo, CA 92656
949-975-7900
800-445-9822
info@selectportfolio.com
www.selectportfolio.com



Retirement Planning Key Numbers

Certain retirement plan and IRA limits are indexed for inflation each year, but only a few of the limits eligible for a cost-of-living adjustment (COLA) have increased for 2016. Some of the key numbers for 2016 are listed below, with the corresponding limit for 2015. (The source for these 2016 numbers is IRS Information Release IR-2015-118.)

An hourglass with sand, where the number "2016" is formed by the sand in the bottom bulb.

Elective deferral limits	2015	2016
401(k) plans, 403(b) plans, 457(b) plans, and SAR-SEPs ¹ (includes Roth contributions)	Lesser of \$18,000 or 100% of participant's compensation (\$24,000 if age 50 or older) ²	Lesser of \$18,000 or 100% of participant's compensation (\$24,000 if age 50 or older) ²
SIMPLE 401(k) plans and SIMPLE IRA plans ¹	Lesser of \$12,500 or 100% of participant's compensation (\$15,500 if age 50 or older)	Lesser of \$12,500 or 100% of participant's compensation (\$15,500 if age 50 or older)

IRA contribution limits	2015	2016
Traditional and Roth IRAs	Lesser of \$5,500 or 100% of earned income (\$6,500 if age 50 or older)	Lesser of \$5,500 or 100% of earned income (\$6,500 if age 50 or older)

Defined benefit plan annual benefit limits	2015	2016
Annual benefit limit per participant	Lesser of \$210,000 or 100% of average compensation for highest three consecutive years	Lesser of \$210,000 or 100% of average compensation for highest three consecutive years

Defined contribution plan limits (qualified plans, 403(b) plans, and SEP plans)	2015	2016
Annual addition limit per participant (employer contributions; employee pretax, after-tax, and Roth contributions; and forfeitures)	Lesser of \$53,000 or 100% (25% for SEP) of participant's compensation	Lesser of \$53,000 or 100% (25% for SEP) of participant's compensation

¹ Must aggregate employee deferrals to all 401(k), 403(b), SAR-SEP, and SIMPLE plans of all employers; 457(b) contributions are not aggregated. For SAR-SEPs, the percentage limit is 25% of compensation reduced by elective deferrals (effectively a 20% maximum contribution).

² Special catch-up limits may also apply to 403(b) and 457(b) plan participants.

Retirement plan compensation limits	2015	2016
Maximum compensation per participant that can be used to calculate tax-deductible employer contribution (qualified plans/SEPs)	\$265,000	\$265,000
Compensation threshold used to determine a highly compensated employee	\$120,000 (when 2015 is the look-back year)	\$120,000 (when 2016 is the look-back year)
Compensation threshold used to determine a key employee in a top-heavy plan	\$1 for more-than-5% owners \$170,000 for officers \$150,000 for more-than-1% owners	\$1 for more-than-5% owners \$170,000 for officers \$150,000 for more-than-1% owners
Compensation threshold used to determine a qualifying employee under a SIMPLE plan	\$5,000	\$5,000
Compensation threshold used to determine a qualifying employee under a SEP plan	\$600	\$600

Income phaseout range for determining deductibility of traditional IRA contributions for taxpayers:	2015	2016
1. Covered by an employer-sponsored plan and filing as:		
Single/Head of household	\$61,000 - \$71,000	\$61,000 - \$71,000
Married filing jointly	\$98,000 - \$118,000	\$98,000 - \$118,000
Married filing separately	\$0 - \$10,000	\$0 - \$10,000
2. Not covered by an employer-sponsored retirement plan, but filing joint return with a spouse who is covered by a plan	\$183,000 - \$193,000	\$184,000 - \$194,000

Income phaseout range for determining ability to fund a Roth IRA for taxpayers filing as:	2015	2016
Single/Head of household	\$116,000 - \$131,000	\$117,000 - \$132,000
Married filing jointly	\$183,000 - \$193,000	\$184,000 - \$194,000
Married filing separately	\$0 - \$10,000	\$0 - \$10,000

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