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Navigating the Executive Benefits Landscape
with The Todd Organization

2016 Qualified Plan Limits Underscore Need for Non-Qualified Plans – and Quality Administration

On October 21 the Internal Revenue Service announced its far-ranging 2016 limits on the amounts that individuals and companies can contribute to qualified retirement plans. These limitations pertain to many statutes. They also underscore the need for non-qualified retirement plans and the importance of excellent plan administration.

First, let's look at the numbers. Most of the major limitations will be the same in 2016 as in 2015 as the chart below shows.

Qualified Plan Limits - 2015 & 2016	
Elective Deferrals	$18,000
Catch-Up Contributions	$6,000
Defined Benefit Plan, Annual Benefit Limit	$210,000
Defined Contribution Plan, 415 Limit	$53,000
Considered Compensation Limit	$265,000
Key Employee, Top-Heavy Plan	$170,000
Highly Compensated Employee	$120,000
Social Security Taxable Wage Base	$118,500

To view the lengthy IRS press release with these and other limits, click here.

There are three core takeaways from the IRS announcement that are important for companies to consider when planning an effective method for attracting and retaining key executives.

- **The Need For Non-Qualified Plans Remains Strong**. Many executives earning more than $150,000 simply cannot save sufficient amounts for retirement from qualified plans alone, given the many stringent limitations. This is especially the case if executives want to make large contributions to make up for low savings amounts in the past. And, just one limit of the many can result in lower contributions today than the executive would like to make.

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- **The Administrative Process Is Very Complicated.** While the IRS regularly promulgates these complex regulations and others, companies must meet the regulations, year-in and year-out. Simply put, there are many ways a company can potentially get tripped up. It is more essential than ever to have service providers with high-quality administration systems who continually update and make sure these systems are state-of-the-art.

- **Continuous Monitoring Of Plans Is Essential.** The aim of non-qualified retirement plans is to help companies retain and attract quality executives in a manner that benefits both executives and shareholders. The IRS limits are an important factor to gauge in this regard, but there are others as well. Companies often want to make sure their plans are on par or superior to certain peers and competitors, for example.

For additional information about the 2016 qualified plan limits and non-qualified retirement plans, please contact your Todd consultant.

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