



The Vita Viewpoint Important Information for Decision Makers

2001 Dollar Limits for Qualified Plans

- The IRS has announced the cost of living adjustments (COLAs) applicable to dollar limits on qualified retirement plans. Effective January 1, 2001:
 - Maximum 401(k) elective deferrals will remain level at \$10,500 - *IRC §401(g)(1)*
 - Overall cap for all money types (deferrals, match and profit sharing) will increase to \$35,000 - *IRC §415(c)(1)(A)*
 - The annual compensation limit will remain at \$170,000 - *IRC §401(a)(17) and §404(1)*
- The maximum Social Security taxable wage base for 2001 has been set at \$80,400. The Medicare tax still has no income limitation!
- Calculating 401(k) payroll maximums: Many plans match on a per paycheck basis and it is thus prudent NOT to defer an amount that would cause an employee to exceed the \$10,500 *401(g)(1)* limit before the end of the calendar year.

Now is the time to review individual salary deferrals that are exceeding the following limits and advise employees that they might wish to adjust their deferral amounts accordingly. In any event, deferrals should also be managed so that they do not exceed the maximum deferral percentage of your plan.

Number of Paychecks	12	24	26	52
Deferral Amount To Achieve \$10,500 Maximum	\$875.00	\$437.50	\$403.85	\$201.93

For questions or additional information, please contact Vita Benefits Group at (650) 968-8811.