

2006 Retirement Limits

The following highlights the changes beginning in 2006 for dollar limitations on qualified pension plans, Social Security and Medicare deductibles/premiums.

The Internal Revenue Service provides dollar limitations on benefits and contributions under qualified retirement plans. It also allows these limitations to be adjusted annually for cost-of-living increases. Many of the limitations will change for 2006 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustments. Furthermore several of these limits will increase for 2006 due to provisions of The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). For example, the maximum elective deferral limit for 401(k) and 403(b) plans increased from \$14,000 to \$15,000.

The Social Security Administration (SSA) annually increases the maximum taxable earnings under the Social Security portion (OASDI) of Social Security and Medicare. The SSA also provides cost-of-living adjustments for Social Security beneficiaries based on the consumer price index (CPI). For 2006, beneficiaries will receive an increase of 4.1% over their 2005 benefit. Medicare premiums and deductibles are also adjusted annually and shown below.

	2005	2006
IRS Limitations		
Maximum annual compensation limit	\$210,000	\$220,000
Maximum annual benefit under DB plan	\$170,000	\$175,000
Maximum annual benefit under DC plan	\$42,000	\$44,000
Highly compensated employee limit	\$95,000	\$100,000
Maximum 401(k) elective deferral limit	\$14,000	\$15,000
Maximum 403(b)/457 elective deferral limit	\$14,000	\$15,000
Catch-up contribution for individuals over 50	\$4,000	\$5,000
Social Security		
Maximum taxable earnings	\$90,000	\$94,200
Cost-of-Living Adjustment (COLA)	2.7%	4.1%
Maximum annual benefit	\$23,268	\$24,636
Medicare		
Part A deductible	\$912	\$952
Part B deductible	\$110	\$124
Part A coinsurance		
1-60 days	\$0	\$0
61-90 days	\$228	\$238
Lifetime reserve	\$456	\$476
Part B premium	\$78.20	\$88.50