

*Client Alert***Year 2006 Retirement Plan Cost of Living Adjustments**

The Internal Revenue Service has announced the cost-of-living adjustments applicable to qualified retirement plans for the year 2006. The Social Security Administration recently announced its own cost-of-living adjustments for 2006. Finally, many of the qualified retirement plan limits have automatically increased pursuant to the Economic Growth and Tax Relief Reconciliation Act of 2001. The following is a chart comparing the commonly-used 2005 and 2006 year limits:

| Type of Limit | 2005 | 2006 |
|---|-------------|-------------|
| IRC Section 401(a)(17) – Qualified Plans – Maximum Compensation Limit Per Person | \$210,000 | \$220,000 |
| IRC Section 402(g)(1) – 401(k) Plans – Maximum Elective Deferral Per Person Per Year | \$14,000 | \$15,000 |
| IRC Section 414(q)(1)(B) – Qualified Plans – Definition of Highly Compensated Employee | \$95,000 | \$100,000 |
| IRC Section 414(v) – 401(k) Plans – Maximum Catch-Up Contribution Per Person For Persons Age 50 and Over | \$4,000 | \$5,000 |
| IRC Section 415(b) – Defined Benefit Plans – Maximum Annual Benefit Payable Per Person | \$170,000 | \$175,000 |
| IRC Section 415(c) – Defined Contribution Plans – Maximum Annual Contribution Per Person | \$42,000 | \$44,000 |
| IRC Section 416(i)(1)(A)(i) – Qualified Plans – Dollar Limit Used In Definition of Officer Key Employee for Purposes of Top-Heavy Testing | \$135,000 | \$140,000 |
| Social Security Taxable Wage Base | \$90,000 | \$94,200 |

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For Additional Information

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