

Retirement Vehicle Contribution Limits

Unlike IRA's that are subject to ***specific, lifelong*** annual contribution limits, life insurance is subject to ***customizable, temporary*** annual contribution limits. First, insured individuals can determine contribution limits according to their personal goals and budgets, so that life insurance contribution limits can be set at higher dollar amounts, allowing for greater accumulation and interest-earning ability, compared to IRA's. Second, life insurance contribution limits are suspended after seven years, further enhancing accumulation and interest-earning ability. Over-funding a permanent, or cash value, life insurance contract can cause it to be treated as a modified endowment contract, or MEC, and taxed rather than allowed to grow tax-free. By law, however, this possibility exists for only the first seven years of the contract. Also, unlike retirement vehicles that have no cumulative "catch-up" provisions, life insurance allows the insured to make up for many years of under-funding all at once.

The article on the next page compares specific plans and their contribution limits.

Contribution limits for retirement accounts

Annual contribution limits for retirement savings accounts for the 2016 and 2017 tax years, as established by the Internal Revenue Service, are listed below.

Provision	Amount	
	2016 tax year	2017 tax year
Maximum annual IRA contribution (under age 50)	\$5,500	\$5,500
Maximum annual IRA contribution (age 50 or over)	\$6,500	\$6,500
Maximum annual 401(k), 403(b), or 457 salary-deferral limit (under age 50)	\$18,000	\$18,000
Maximum annual 401(k), 403(b), or 457 salary-deferral limit (age 50 or over)*	\$24,000	\$24,000
Maximum annual additions limit under defined contribution plan	\$53,000	\$54,000
Maximum includible compensation for computing contributions	\$265,000	\$270,000
Maximum SIMPLE salary-deferral limit (under age 50)	\$12,500	\$12,500
Maximum SIMPLE salary-deferral limit (age 50 or over)	\$15,500	\$15,500
Minimum annual compensation for determining a "highly compensated" employee (used in 401(k) nondiscrimination tests)	\$120,000	\$120,000
Minimum annual compensation amount for SEP participation	\$600	\$600

*Only 457(b) plans of state and local governments may allow catch-up contributions for participants who are aged 50 or older. Some plans also allow Special 457(b) catch-up contributions. Refer to your plan details for further information.

[<https://personal.vanguard.com/us/insights/taxcenter/contribution-limits>]