

Important facts to know that impact your 2021 financial planning

Every year, a variety of governmental agencies and programs announce the annual contribution limits, tax rates and payment requirements. We have consolidated these for you to serve as a handy reference guide as you review your financial plan at least annually with your wealth advisor.

RETIREMENT PLAN CONTRIBUTION LIMITS (2021)

Retirement Plans	Annual contribution limit
Elective deferrals 401(k), 403(b), 457, and SARSEPs	\$19,500
Catch-up contribution	\$6,500
Defined contribution (§415(c)(1)(A))	\$58,000
Defined benefit (§415(b)(1)(A))	\$230,000
SIMPLE plan	\$13,500
SIMPLE catch-up contribution	\$3,000
Maximum includible compensation	\$290,000
Highly compensated employee	
Lookback to 2020	\$130,000
Lookback to 2021	\$130,000
Key employee (top-heavy plan)	>\$185,000
SEP participation limit	\$650
IRA or Roth IRA contribution limit	\$6,000
IRA or Roth IRA catch-up	\$1,000
IRA deduction phaseout for active participants	
Single	\$66,000–\$76,000
Married filing jointly	\$105,000–\$125,000
Married filing separately	\$0–\$10,000
Non-active participant married to active participant	\$198,000–\$208,000
Roth IRA phaseout	
Single	\$125,000–\$140,000
Married filing jointly	\$198,000–\$208,000

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MEDICARE PREMIUMS AND OUT OF POCKET EXPENSES

For more information on Medicare, an overview is available here. Talk to your wealth advisor about how supplemental insurance can help cover these expenses.

Monthly premium	Part A ¹	\$471
	Part B ²	\$148.50
Part A (patient payments)	First 60 days	\$1,484 deductible
	Next 30 days	\$371 per day
	Next 60 days (lifetime reserve days)	\$742 per day
Skilled nursing benefits (patient payments)	First 20 days	\$0 per day
	Next 80 days	\$185.50 per day
	Over 100 days	All costs
Part B	Deductible	\$203
	Coinsurance	20%
Part D (Prescription Standard Benefit Model)	Deductible	Deductible \$445
	Coinsurance	25% on next \$4,130
	Out-of-pocket (OOP) threshold	\$6,550

Beneficiary then pays coinsurance amount for additional covered expenses.

2021 MEDICARE PART B PREMIUM RATES

You pay	If your 2019 income was:		
	Part D Surcharge	Single	Married Couple
\$115.48 Hold Harmless		\$88,000 or less	\$176,000 or less
\$145.50 not Hold Harmless		\$88,000 or less	\$176,000 or less
\$207.90	\$12.30	\$88,001–\$111,000	\$176,001–\$222,000
\$297.00	\$31.80	\$111,001–\$138,000	\$222,001–\$276,000
\$386.10	\$51.20	\$138,001–\$165,000	\$276,001–\$330,000
\$475.20	\$70.70	\$165,001–\$500,000	\$330,001–\$750,000
\$504.90	\$77.10	Above \$500,000	Above \$750,000

You Pay	Part D Surcharge	If you are married, filing separately, and your 2019 income was:
\$148.50		\$88,000 or less
\$475.20	\$70.70	\$88,001–\$412,000
\$504.90	\$77.10	Above \$412,000

SOCIAL SECURITY FRA, WAGE BASE AND TAX RATES

SS wage base	\$142,800
FICA tax rate—employee ³	7.65%
SECA tax rate—self-employed	15.30%
Earnings limitation:	
Below FRA (\$1 for \$2)	\$18,960
Persons reaching FRA (\$1 for \$3)	\$50,520
<i>(Applies only to earnings for months prior to attaining FRA)</i>	
Cost-of-living adjustment	1.30%
Quarter of coverage	\$1,470
Maximum benefit: worker retiring at FRA	\$3,148
Estimated average monthly benefit	\$1,543

SOCIAL SECURITY FRA

Year of Birth	Social Security FRA
1943–54	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

For more information, please see definitions. | 1. The Part A premium of \$471 per month applies to persons who have fewer than 30 quarters of coverage under Social Security. For those having 30-39 quarters, the Part A Premium is \$259 per month. | 2. Beneficiaries not subject to the “hold harmless” provision includes persons not receiving Social Security, those who enroll in Part B for the first time in 2021, dual eligible beneficiaries who have their premiums paid by Medicaid, and beneficiaries who pay an additional income-related premium. | 3. The FICA tax rate is comprised of two separate payroll taxes: Employer portion—6.20% for Old-Age, Survivors, and Disability Insurance (OASDI), and 1.45% for Hospital Insurance (HI); Employee portion—6.20% for Old-Age, Survivors, and Disability Insurance (OASDI), and 1.45% for Hospital Insurance (HI). For self-employed, the SECA is 12.40% for OASDI and 2.90% for HI. | Source: <https://www.medicare.gov> | <https://www.ssa.gov/oact/cola/cbb.html> | The College for Financial Planning: “2021 Annual limits relating to financial planning.”

Federal tax rates, deductions, AMT and capital gains rates

2021 TAX RATE SCHEDULES

If your income is:		Then the Gross Tax Payable is:		
Over	But Not Over	Amount	Plus (percent)	Of the Amount Over
Single Taxpayers (other than surviving spouses and heads of households)				
\$0	\$9,950		10% of taxable income	
\$9,950	40,525	\$995	12%	9,950
40,525	86,375	4,664	22%	40,525
86,375	164,925	14,751	24%	86,375
164,925	209,425	33,603	32%	164,925
209,425	523,600	47,843	35%	209,425
523,600	—	157,804	37%	523,600
Heads of Households				
\$0	\$14,200		10% of taxable income	
\$14,200	54,200	\$1,420	12%	\$14,200
54,200	86,350	6,220	22%	54,200
86,350	164,900	13,293	24%	86,350
164,900	209,400	32,145	32%	164,900
209,400	523,600	46,385	35%	209,400
523,600	—	156,355	37%	523,600
Married Individuals (and surviving spouses) Filing Joint Returns				
\$0	\$19,900		10% of taxable income	
\$19,900	81,050	\$1,990	12%	\$19,900
81,050	172,750	9,328	22%	81,050
172,750	329,850	29,502	24%	172,750
329,850	418,850	67,206	32%	329,850
418,850	628,300	95,686	35%	418,850
628,300	—	168,994	37%	628,300
Married Individuals Filing Separate Returns				
\$0	\$9,950		10% of taxable income	
\$9,950	40,525	\$995	12%	\$9,950
40,525	86,375	4,664	22%	40,525
86,375	164,925	14,751	24%	86,375
164,925	209,425	33,603	32%	164,925
209,425	314,150	47,843	35%	209,425
314,150	—	84,497	37%	314,150
Fiduciary (estates and trusts) Taxpayers				
\$0	\$2,650		10% of taxable income	
\$2,650	9,550	\$265	24%	\$2,650
9,550	13,050	1,921	35%	9,550
13,050	—	3,146	37%	13,050

INCOME TAX

Standard deduction	Single	\$12,550
	Married filing jointly	\$25,100
	Head of household	\$18,800
	Married filing separately	\$12,550
	Kiddie tax limited standard deduction	\$1,100
	Individual eligible to be claimed as de-pendent	Greater of \$1,100 or earned income plus \$350, not to exceed full standard deduction of \$12,550.
Elderly or blind additional deduction	Single	\$1,700
	Married	\$1,350
Section 179	Maximum election	\$1,050,000
	Phaseout begins	\$2,620,000
Adoption credit (nonrefundable)	Maximum	\$14,400
	Phaseout	\$216,600–\$256,660
Medicare Contribution tax and additional Medicare tax	Single	\$200,000
	Head of household	\$200,000
	Married filing jointly	\$250,000
	Dependent under age 17	\$2,000
Child tax credit	Other dependents	\$500
	Phaseout (\$50 for every \$1,000 over)	
	Single	\$200,000
	Married filing jointly	\$400,000

ALTERNATIVE MINIMUM TAX (AMT)

	Exemption	Phaseout
Single & head of household	\$73,600	\$523,600
Married filing jointly	\$114,600	\$1,047,200
Married filing separately	\$57,300	\$523,600
Trusts and estates	\$25,700	\$85,650

AMT RATES

26% up to \$199,900 of AMT base
28% over \$199,900 of AMT base

ESTATE AND GIFT TAX

Annual gift tax exclusion	\$15,000
Estate and gift tax basic exclusion	\$11,700,000
Applicable credit amount	\$4,625,800
Generation skipping exemption	\$11,700,000
Maximum estate tax rate ⁴	40%

STANDARD MILEAGE RATES

Business use	56¢ per mile
Charitable use (not indexed)	14¢ per mile
Medical use	16¢ per mile

LONG-TERM CAPITAL GAINS RATES BASED ON TAXABLE INCOME

Filing Status	0% rate	15% rate	20% rate
Single	up to \$40,400	\$40,401–\$445,850	over \$445,850
Head of household	up to \$54,100	\$54,101–\$473,750	over \$473,750
Married filing jointly	up to \$80,800	\$80,801–\$501,600	over \$501,600
Married filing separately	up to \$40,400	\$40,401–\$250,800	over \$250,800
Estates and trusts	up to \$2,700	\$2,701–\$13,250	over \$13,250

HEALTH SAVINGS ACCOUNT

Minimum Deductible Amount	Single	\$1,400
	Family	\$2,800
Maximum Out-of-Pocket Amount	Single	\$7,000
	Family	\$14,000
HSA Statutory Contribution Maximum	Single	\$3,600
	Family	\$7,200
	Catch-up contributions (age 55 or older)	\$1,000

For more information, please see definitions. | 4. A deceased spouse's unused credit amount is portable to a surviving spouse. | Source: <https://www.irs.gov> | The College for Financial Planning: "2021 Annual limits relating to financial planning."

EDUCATION

EE bonds for education—exclusion phaseout	Single	\$83,200–\$98,000
	Married filing jointly	\$124,800–\$154,800
Coverdell Education Savings Account (\$2,000 limit) phaseout	Single	\$95,000–\$110,000
	Married filing jointly	\$190,000–\$220,000
Lifetime Learning Credit—20% of qualified expenses up to \$10,000	Single	\$80,000–\$90,000
	Married filing jointly	\$160,000–\$180,000
American Opportunity tax credit—maximum of \$2,500	100% up to \$2,000 of qualified expenses	
	25% on next \$2,000—phaseout:	
	Single	\$80,000–\$90,000
	Married filing jointly	\$160,000–\$180,000
Education loan deduction (\$2,500) phaseout	Unmarried	\$70,000–\$85,000
	Married filing jointly	\$140,000–\$170,000

MISCELLANEOUS

PBGC maximum monthly benefit (at age 65)	\$6,034.09
LTC per diem limit	\$400
LTC premium as medical expense limitation	
Age 40 or under	\$450
Age 41–50	\$850
Age 51–60	\$1,690
Age 61–70	\$4,520
Age 71 or older	\$5,640
Qualified Transportation Fringes (monthly) Commuter highway vehicle/transit pass	\$270
Qualified parking	\$270
Qualified Longevity Annuity Contract	Max \$135,000
Health Care Flexible Spending Account	Max \$2,750

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Glossary

Catch up contribution: A catch-up contribution is a type of retirement savings contribution that allows people aged 50 or older to make additional contributions to 401(k) accounts and individual retirement accounts (IRAs). Catch-up contributions are larger than the standard contribution limit.

Contribution limit: The maximum amount a person can contribute to his or her retirement account is set each year by the IRS after taking inflation into account.

Defined benefit amount: Internal Revenue Code (IRC) Section 415(b) limits an individual's pension benefit amount. The IRC 415(b) limit affecting public employees is the Dollar Limit. The Dollar Limit for 2020 is \$230,000. Elective deferrals

FRA: Retirees can start receiving Social Security retirement benefits as early as age 62. However, retirees are entitled to full benefits when they reach their **full retirement age**.

Social Security wage base: Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) program limits the amount of earnings subject to taxation for a given year. The same annual limit also applies when those earnings are used in a benefit computation. This limit changes each year with changes in the national average wage index. We call this annual limit the contribution and benefit base. This amount is also commonly referred to as the taxable maximum.

Sources:

<https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-iras-contributions#:~:text=The%20annual%20contribution%20limit%20for,your%20filing%20status%20and%20income>

<https://www.medicare.gov> | <https://www.ssa.gov/oact/cola/cbb.html> | <https://www.irs.gov>

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