

Important facts to know that impact your 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 (2020)

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))	\$57,000
Defined benefit (\$415(b)(1)(A))	\$230,000
SIMPLE plan	\$13,500
SIMPLE catch-up contribution	\$3,000
Maximum includible compensation	\$285,000
Highly compensated employee	
Lookback to 2019	\$125,000
Lookback to 2020	\$130,000
Key employee (top-heavy plan)	>\$185,000
SEP participation limit	\$600
IRA or Roth IRA contribution limit	\$6,000
IRA or Roth IRA catch-up	\$1,000
IRA deduction phaseout for active participants	
Single	\$65,000–\$75,000
Married filing jointly	\$104,000–\$124,000
Married filing separately	\$0–\$10,000
Non-active participant married to active participant	\$196,000–\$206,000
Roth IRA phaseout	
Single	\$124,000–\$139,000
Married filing jointly	\$196,000–\$206,000

Contents

- Retirement plan contribution limits
- Medicare premiums and out of pocket expenses
- Social Security FRA, wage base and tax rates
- Federal tax rates, deductions, and AMT (2020)
- Estate and gift tax rates and exclusion amounts
- Standard mileage rates
- Health Savings Account (HSA) contribution rates
- Education programs
- Miscellaneous items

MEDICARE PREMIUMS AND OUT OF POCKET EXPENSES (2020)

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	\$458
	Part B ²	\$144.60
Part A (patient payments)	First 60 days	\$1,408 deductible
	Next 30 days	\$352 per day
	Next 60 days (lifetime reserve days)	\$704 per day
Skilled nursing benefits (patient payments)	First 20 days	\$0 per day
	Next 80 days	\$176 per day
	Over 100 days	All costs
Part B	Deductible	\$198
	Coinsurance	20%
Part D (Prescription Standard Benefit Model)	Deductible	Deductible \$435
	Coinsurance	25% on next \$4,020
	Out-of-pocket (OOP) threshold	\$6,350

Beneficiary then pays coinsurance amount for additional covered expenses.

2020 MEDICARE PART B PREMIUM RATES

You pay	If your 2018 income was:		
	Part D Surcharge	Single	Married Couple
\$114.00 Hold Harmless		\$87,000 or less	\$174,000 or less
\$144.60 not Hold Harmless		\$87,000 or less	\$174,000 or less
\$202.40	\$12.20	\$87,001–\$109,000	\$174,001–\$218,000
\$289.20	\$31.50	\$109,001–\$136,000	\$218,001–\$272,000
\$376.00	\$50.70	\$136,001–\$163,000	\$272,001–\$326,000
\$462.70	\$70.00	\$163,001–\$500,000	\$326,001–\$750,000
\$491.60	\$76.40	Above \$500,000	Above \$750,000

You Pay	Part D Surcharge	If you are married, filing separately, and your 2018 income was:
\$144.60		\$87,000 or less
\$462.70	\$70.00	\$87,001–\$413,000
\$491.60	\$76.40	Above \$413,000

For more information, please see definitions and sources on the last page.

- The Part A premium of \$458 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 \$252 per month.
- 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 2020, dual eligible beneficiaries who have their premiums paid by Medicaid, and beneficiaries who pay an additional income-related premium.
- 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-employeds, the SECA is 12.40% for OASDI and 2.90% for HI.

SOCIAL SECURITY FRA, WAGE BASE AND TAX RATES (2020)

SS wage base	\$137,700
FICA tax rate—employee ³	7.65%
SECA tax rate—self-employed	15.30%
Earnings limitation:	
Below FRA (\$1 for \$2)	\$18,241
Persons reaching FRA (\$1 for \$3) <i>(Applies only to earnings for months prior to attaining FRA)</i>	\$48,601
Cost-of-living adjustment	1.60%
Quarter of coverage	\$1,410
Maximum benefit: worker retiring at FRA	\$3,011
Estimated average monthly benefit	\$1,503

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

Federal tax rates, deductions, AMT and capital gains rates (2020)

2020 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	\$9,875		10% of taxable income	
9,875	40,125	\$987.50	12%	\$9,875
40,125	85,525	4,617.50	22%	40,125
85,525	163,300	14,605.50	24%	85,525
163,300	207,350	33,721.50	32%	163,300
207,350	518,400	47,367.50	35%	207,350
518,400	—	156,253	37%	518,400
Heads of Households				
\$0	\$14,100		10% of taxable income	
14,100	53,700	\$1,410	12%	\$14,100
53,700	85,500	6,162	22%	53,700
85,500	163,300	13,158	24%	85,500
163,300	207,350	31,830	32%	163,300
207,350	518,400	45,926	35%	207,350
518,400	—	154,793.50	37%	518,400
Married Individuals (and surviving spouses) Filing Joint Returns				
\$0	\$19,750		10% of taxable income	
19,750	80,250	\$1,975	12%	\$19,750
80,250	171,050	9,235	22%	80,250
171,050	326,600	29,211	24%	171,050
326,600	414,700	66,543	32%	326,600
414,700	622,050	94,735	35%	414,700
622,050	—	167,307.50	37%	622,050
Married Individuals Filing Separate Returns				
\$0	\$9,875		10% of taxable income	
9,875	40,125	\$987.50	12%	\$9,875
40,125	85,525	4,617.50	22%	40,125
85,525	163,300	14,605.50	24%	85,525
163,300	207,350	33,271.50	32%	163,300
207,350	311,025	47,367.50	35%	207,350
311,025	—	83,653.75	37%	311,025
Fiduciary (estates and trusts) Taxpayers				
\$0	\$2,600		10% of taxable income	
2,600	9,450	\$260	24%	\$2,600
9,450	12,950	1,904	35%	9,450
12,950	—	3,129	37%	12,950

For more information, please see definitions and sources on the last page.

INCOME TAX

Standard deduction	Single	\$12,400
	Married filing jointly	\$24,800
	Head of household	\$18,650
	Married filing separately	\$12,400
	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 \$12,400.
Elderly or blind additional deduction	Single	\$1,650
	Married	\$1,300
Section 179	Maximum election	\$1,040,000
	Phaseout begins	\$2,590,000
Adoption credit (nonrefundable)	Maximum	\$14,300
	Phaseout	\$214,520–\$254,520
Medicare Contribution tax and additional Medicare tax	Single	\$200,000
	Head of household	\$200,000
	Married filing jointly	\$250,000
Child tax credit	Dependent under age 17	\$2,000
	Other dependents	\$500
	Phaseout (\$50 for every \$1,000 over)	
	Single	\$200,000
	Married filing jointly	\$400,000

LONG-TERM CAPITAL GAINS RATES BASED ON TAXABLE INCOME

Filing Status	0% rate	15% rate	20% rate
Single	up to \$40,000	\$40,001–\$441,450	over \$441,450
Head of household	up to \$53,600	\$53,601–\$469,050	over \$469,050
Married filing jointly	up to \$80,000	\$80,001–\$496,600	over \$496,600

ALTERNATIVE MINIMUM TAX (AMT)

	Exemption	Phaseout
Single	\$72,900	\$518,400
Married filing jointly	\$113,400	\$1,036,800
Married filing separately	\$56,700	\$518,400
Trusts and estates	\$25,400	\$84,800

AMT RATES

26% up to \$197,900 of AMT base

28% over \$197,900 of AMT base

ESTATE AND GIFT TAX

Annual gift tax exclusion	\$15,000
Estate and gift tax basic exclusion	\$11,580,000
Applicable credit amount	\$4,577,800
Generation skipping exemption	\$11,580,000
Maximum estate tax rate ⁴	40%

STANDARD MILEAGE RATES (2019)

Business use	57.5¢ per mile
Charitable use (not indexed)	14¢ per mile
Medical use	17¢ per mile

HEALTH SAVINGS ACCOUNT

Minimum Deductible Amount	Single	\$1,400
	Family	\$2,800
Maximum Out-of-Pocket Amount	Single	\$6,900
	Family	\$13,800
HSA Statutory Contribution Maximum	Single	\$3,550
	Family	\$7,100
	Catch-up contributions (age 55 or older)	\$1,000

For more information, please see definitions and sources on the last page.

4. A deceased spouse's unused credit amount is portable to a surviving spouse.

EDUCATION

EE bonds for education—exclusion phaseout	Single	\$82,350–\$97,350
	Married filing jointly	\$123,550–\$153,550
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	\$59,000–\$69,000
	Married filing jointly	\$118,000–\$138,000
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
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)	\$5,812.50
LTC per diem limit	\$380
LTC premium as medical expense limitation	
Age 40 or under	\$430
Age 41–50	\$810
Age 51–60	\$1,630
Age 61–70	\$4,350
Age 71 or older	\$5,430
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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