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How do catch-up contributions work?

Not everyone is able to max out their retirement contributions in the early years of their career. As retirement approaches, that can leave you feeling like you've fallen behind on saving. But when you turn 50, the IRS allows you to start catching up.

Catch-Up Contributions

You can contribute up to a certain amount, determined by the IRS, to your retirement plans each year. When you turn 50, the IRS loosens its restrictions and allows you to begin making catch-up contributions to tax-advantaged retirement accounts.

2024 Limits

If you are 50 or older, you can make a catch-up contribution on top of the annual contribution limits. In 2024, the catch-up contribution limits are:

- IRAs: $1,000
- SIMPLE plans: $3,500
- 401(k) plans: $7,500

- 403(b) plans: $7,500

The 2024 contribution limit for traditional and Roth IRAs is $7,000, which means you can contribute up to $8,000 if you make a catch-up contribution. If you make the maximum contribution, including the base limit plus a catch-up contribution, you could add:

- $30,500 to your 401(k)
- $30,500 to your 403(b)
- $19,500 to your SIMPLE plan

Building Your Retirement Savings

Making catch-up contributions can help your retirement savings grow appreciably during your remaining working years. But you still need to pay for your current living expenses. How can you find room in your budget for catch-up contributions?

The answer to that question is different for everyone, but it boils down to identifying areas of your budget where you can cut back and save.

For people in their 50s, that might mean looking at your current lifestyle choices, like travel and hobbies, to determine if you can cut back to save more for retirement.

Reach out if you have any questions about how you can maximize your retirement savings.

Helping clients get back to the basics of building and maintaining wealth in a tax efficient way.

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