Catch up with your retirement goals

Can you contribute more to your 401(k) plan account?

If you're contributing to your employer-sponsored retirement plan account, you may think you're doing all you can to prepare for your future. But as you get closer to retirement age, you may be able to pick up the pace. See if you can take advantage of catch-up contributions.

How does it work?

Catch-up contributions are designed to help you contribute more as you approach retirement: up to $7,500 more in 2024. To be eligible, you need to meet two criteria:

- You must be age 50 or older at any point during the year, and
- You must contribute up to the lesser of the plan or tax law contribution limit.*

Generally, all elective contributions that you make to all plans in which you participate must be considered to determine if the dollar limits are exceeded.

If you haven't contributed as much over the years as you would have liked, catch-up contributions could really make a difference. See below for an example.

Example: The catch-up advantage

The example below shows what catch-up contributions of $2,600 and $7,500 could mean for you.

Contribution	5 years	10 years	15 years
$2,600/year catch-up contribution	$15,129	$35,374	$62,467
$7,500/year catch-up contribution	$43,640	$102,040	$180,193

This hypothetical illustration assumes a participant contributes on a pre-tax basis an additional $2,600 or $7,500 per year to the 401(k) account with equal contributions made at the beginning of each month and a 6% annual effective rate of return. Hypothetical results are for illustrative purposes only and are not meant to represent the past or future performance of any specific investment vehicle. Investment return and principal value will fluctuate, and when redeemed the investments may be worth more or less than their original costs. Taxes will be due upon withdrawal of pre-tax contributions and any associated earnings. You may also be subject to a 10% additional federal tax if you take a withdrawal before age 59½, unless an exception applies. In general, qualified distributions from designated Roth accounts are those taken after five years have passed since the first day of the year in which you made your first Roth 401(k) contribution or conversion, if earlier, and once you have reached age 59½.

* Note that depending on your employer's plan, you may be required to make a separate deferral election to make catch-up contributions during the year. Contact your employer for information on the applicable election process.

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If you are age 50 or older

Why not take the opportunity to catch up? You can contribute up to $7,500 above the lesser of the plan or tax law limit in 2024, as described below.

How much can I contribute?

Generally, you are subject to two contribution limits (other limits may apply in certain situations):

- A maximum percentage of eligible compensation, which is set by your plan, and
- The tax law regular contribution limit, which is $23,000 in 2024. (If your plan offers Roth 401(k) contributions, this limit applies to pre-tax and Roth 401(k) contributions combined.)

Any contributions that you make in excess of these limits will be treated as catch-up contributions, up to $7,500 in 2024, assuming you satisfied the eligibility requirements for catch-up contributions (as discussed on the prior page). If the tax law limit is lower than the contribution limit under your employer's plan, for example, your catch-up contributions would let you make total contributions of $30,500 for the year. The tax law regular contribution limit and catch-up contribution limit are subject to change in future years.

Catch-up contributions can be a great way to add momentum to your retirement planning.

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