Age 50: Retirement Catch-up Contributions

What are Catch-up Contributions?

- U.S. taxpayers aged 50 and older are allowed to make contributions above the standard limits into certain retirement accounts, regardless of how much they have saved already

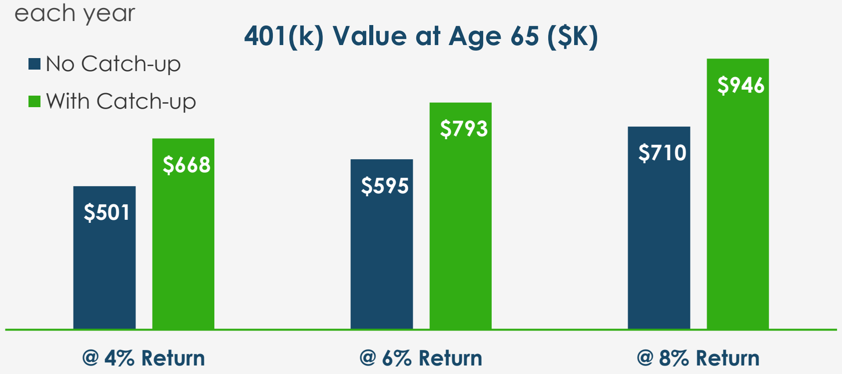
Account Type	Standard Contribution Limit per year (for 2023)	Catch-up Contribution Amount per year (for 2023)	Total Contribution Limit per year (for 2023)
401(k)/403(b)/457(b)	$22,500	$7,500	$30,000
SIMPLE IRA	$15,500	$3,500	$19,000
Traditional or Roth IRA	$6,500	$1,000	$7,500

Action Steps: How to make Catch-up Contributions

- Catch-up Contributions to employer plans, such as 401(k)s, 403(b)s, 457(b)s, and SIMPLE IRAs are withheld from your regular paycheck -- notify your employer that you wish to increase your contribution amount
- Catch-up Contributions to traditional and Roth IRAs are made by the investor directly into their account, just like standard contributions -- make your current year Catch-up Contributions to traditional and Roth IRAs by the due date of your income tax return (usually April 15 of the following year, no extensions)
- You can make Catch-up Contributions at any time during the calendar year in which you will turn 50, even if you have not yet reached your 50th birthday

Why make Catch-up Contributions?

- Generally speaking, Catch-up Contributions in Traditional accounts allow you to increase the amount of your tax-deferred retirement savings while also reducing your current tax liability by deferring more pre-tax income into tax-advantaged accounts
- When made on an after-tax basis to a Roth account, catch-up contributions increase your potential tax-free income from that account in the future
- A 401(k) investor in the 35% tax bracket contributing the full $7,500 in Catch-Up Contributions annually would save/defer $2,625 in taxes per year -- $39,375 over 15 years
- The graph below compares the account values of an investor who contributes only $22,500 per year to a 401(k) from age 50-65 versus an investor who also contributes the additional $7,500 catch-up amount each year



Assumptions: Illustration assumes contributions of $22,500 are made annually from age 50 to age 65, plus an additional $7,500 per year in the catch-up scenario. Contributions are spread throughout the year. 401(k) grows at the rate of annual return indicated on the x-axis. Values shown are pre-tax and before fees. Contributions made ratably over the course of each year.

Supporting Information

Last Reviewed 01/01/2023

Key Sources Internal Revenue Code Sections 219, 401, 402, 403, 408, 414, 415, 457

Further Reading

- IRS Retirement Topics – Catch-up Contributions
- IRS Issue Snapshot – 401(k) Plan Catch-up Contribution Eligibility
- IRS Retirement Topics – 403(b) Contribution Limits
- IRS Retirement Topics – 457(b) Contribution Limits
- IRS Notice 2022-55 (2023 Limits)

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