

Abstract: Taxpayers age 50 or older on December 31 of any given year can start making “catch-up” contributions to their employer-sponsored retirement plans by that date. These are additional contributions to certain retirement accounts beyond the regular annual limits. This article serves up reminders regarding the contribution limits for 401(k)s, SIMPLEs and self-employed plans.

Getting caught up with the latest catch-up contributions

One could say that there are only two key milestones in retirement planning: the day you begin participating in a retirement savings account and the day you begin drawing money from it. But, of course, there are others as well.

One is the day you turn 50 years old. Why? Because those age 50 or older on December 31 of any given year can start making “catch-up” contributions to their employer-sponsored retirement plans by that date. These are additional contributions to certain retirement accounts beyond the regular annual limits.

Maybe you haven’t yet saved as much for retirement as you’d like to. Or perhaps you’d just like to make the most of tax-advantaged savings opportunities. Whatever the case may be, let’s get caught up with the latest catch-up contribution amounts.

401(k)s and SIMPLEs

Under 2018 401(k) limits, if you’re age 50 or older, after you’ve reached the \$18,500 maximum limit for all employees, you can contribute an extra \$6,000, for a total of \$24,500. If your employer offers a Savings Incentive Match Plan for Employees (SIMPLE) instead, your regular contribution maxes out at \$12,500 in 2018. If you’re 50 or older, you’re allowed to contribute an additional \$3,000 — or \$15,500 in total for the year.

But, check with your employer because, while most 401(k) plans and SIMPLEs offer catch-up contributions, not all do.

Self-employed plans

If you’re self-employed, retirement plans such as an individual 401(k) — or solo 401(k) — also allow catch-up contributions. A solo 401(k) is a plan for those with no other employees. You can defer 100% of your self-employment income or compensation, up to the regular yearly deferral limit of \$18,500, plus a \$6,000 catch-up contribution in 2018. But that’s just the employee salary deferral portion of the contribution.

You can also make an “employer” contribution of up to 20% of self-employment income or 25% of compensation. The total combined employee-employer contribution is limited to \$55,000, plus the \$6,000 catch-up contribution.

IRAs, too

Catch-up contributions to non-Roth accounts not only can enlarge your retirement nest egg, but also can reduce your 2018 tax liability. And keep in mind that catch-up contributions are available for IRAs, too, but the deadline for 2018 contributions is April

15, 2019. If you have questions about catch-up contributions or other retirement saving strategies, please contact us.

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