ASEC
AMERICAN SAVINGS EDUCATION COUNCIL®

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A monthly savings tip from the American Savings Education Council (ASEC)

Catching Up on Retirement Savings

When we are young(er), there are a lot of demands on our income – setting up that first apartment, that first "real" car, buying a house. Then kids come along, and many leave the work force during crucial savings years to raise those children and – with no employer-sponsored retirement savings program and no paycheck during that time – those who do can find themselves short of their retirement savings needs.

Fortunately, you may have an ability to "catch up" on your retirement savings, thanks to a provision in the tax law that could allow you to set funds aside above and beyond the current limits in your retirement plan account – and at a time when many of you may have a little more flexibility in your financial situation.

Who is Eligible?
In order to qualify for a tax-advantaged catch-up contribution, you must:

- Be age 50 or older before the end of the calendar year.
- Be eligible to make regular contributions to your plan (even if you terminate employment during the year, you are still eligible to make catch-up contributions).

What Kind of Plans Allow Catch Up Contributions?
- 401(k) (other than a SIMPLE 401(k)).
- 403(b).
- SARSEP.
- Governmental 457(b).
- IRA (individual retirement account).

How Much Extra Can I Save?
It depends on the type of plan. Catch-up contributions up to $5,500 are permitted in 2014 by the plan types listed above.

A SIMPLE IRA or a SIMPLE 401(k) plan may permit catch-up contributions up to $2,500 (in 2014). Salary reduction contributions in a SIMPLE IRA plan are not treated as catch-up contributions until they exceed $12,000. You can make catch-up contributions to your traditional or Roth IRA up to $1,000 (in 2014). Catch-up contributions to an IRA are due by the due date of your tax return (not including extensions).

Note, however that your pre-tax deferrals to your 401(k) are not treated as catch-up contributions until they exceed the maximum contribution limit for the year ($17,500 in 2014) limit, or other plan limits, or the amount(s) allowed by other plan nondiscrimination tests.

Does Your Plan Offer Catch-ups?

Employers are not required to offer catch-up contributions to their plan – so if you aren't sure, ask your Human Resources department.

You can find out MORE about catch-up contributions at www.irs.gov/Retirement-Plans/Plan-Participant,-Employee/Retirement-Topics-Catch-Up-Contributions