

## VOL 16: HIGHER CATCH-UP CONTRIBUTIONS

# New Catch-Up Contributions for Ages 60-63 Starting in 2025

The landscape of retirement savings is ever-evolving, and starting in 2025, individuals who will turn age 60 to 63 at any time during 2025 will have an exceptional opportunity to enhance their retirement nest egg through increased catch-up contributions. This pivotal change is designed to help participants bolster their financial security as retirement approaches.

## Understanding Catch-Up Contributions

Catch-up contributions are additional contributions that individuals aged 50 and over can make to their retirement accounts, beyond the standard contribution limits. These contributions are intended to help those who may have fallen behind on their retirement savings to “catch up” as they near retirement age. Starting in 2025, the catch-up contribution limits will see a significant increase for those aged 60 to 63, providing an even greater opportunity to boost retirement savings.

## New Contribution Limits

The new legislation will allow individuals aged 60 to 63 to make higher catch-up contributions to their 401(k), 403(b), and other qualified retirement plans. The limit for age 60-63 will be \$11,250, as opposed to the \$7,500 normal catch-up limit. Once the individual reaches age 64, the limit will revert to whatever the ordinary catch-up limit is for that particular calendar year.

## Why This Matters

For many individuals, the years leading up to retirement are crucial for maximizing savings. This period often coincides with peak earning years, reduced financial

obligations such as mortgage payments or educational expenses, and a clearer picture of retirement goals. The enhanced catch-up contributions provide a strategic advantage, allowing participants to make more substantial contributions during these critical years.

## How to Take Advantage

To fully benefit from the new catch-up contribution limits, it's important for participants to plan ahead and integrate these changes into their retirement strategy. Here are some steps to consider:

- **Review Your Current Retirement Savings:** Assess your current retirement accounts and contribution levels. Determine how much more you can contribute under the new limits.
- **Adjust Your Budget:** Reallocate your budget to accommodate increased contributions. Consider cutting discretionary expenses or reallocating funds from other savings to maximize your retirement contributions.
- **Consult a Financial Advisor:** Work with a financial advisor to create a personalized plan that takes full advantage of the new contribution limits. They can help participants navigate the complexities of retirement planning and ensure they are on track to meet your goals.
- **Stay Informed:** Keep abreast of the latest developments and regulatory changes related to retirement savings. Stay informed and help participants make timely adjustments as needed.

## Impact on Retirement Savings

The ability to make larger catch-up contributions can have a profound impact on retirement savings. Even a few

years of increased contributions can significantly boost a retirement account balance, providing more financial security and peace of mind as participants transition into retirement.

## Tax Benefits

In addition to bolstering retirement savings, catch-up contributions offer valuable tax benefits. Contributions to traditional retirement accounts are typically tax-deductible, reducing the taxable income in the year they are made. This can result in significant tax savings, particularly for those in higher income brackets. For Roth accounts, while contributions are made with after-tax dollars, the withdrawals in retirement are tax-free, offering another layer of tax efficiency.

## Conclusion

The introduction of higher catch-up contribution limits for individuals aged 60 to 63 starting in 2025 is a game-changer in retirement planning. By taking advantage of these increased limits, participants can enhance retirement savings, enjoy tax benefits, and secure a more comfortable and financially stable future. Now is the time for older participants to review their retirement strategy, make necessary adjustments, and be ready for a prosperous retirement.

With the right planning and strategic contributions, participants can achieve the retirement lifestyle they've always dreamed of. Act today and ensure that your participants are prepared to make the most of this exciting new opportunity.

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