The power of catch-up retirement account contributions after 50

Are you age 50 or older? You've earned the right to supercharge your retirement savings with extra "catch-up" contributions to your tax-favored retirement account(s). And these contributions are more valuable than you may think.

IRA contribution amounts

For 2025, eligible taxpayers can make contributions to a traditional or Roth IRA of up to the lesser of $7,000 or 100% of earned income. They can also make extra catch-up contributions of up to $1,000 annually to a traditional or Roth IRA. If you'll be 50 or older as of December 31, 2025, you can make a catch-up contribution for the 2025 tax year by April 15, 2026.

Extra deductible contributions to a traditional IRA create tax savings, but your deduction may be limited if you (or your spouse) are covered by a retirement plan at work and your income exceeds a certain amount.

Extra contributions to Roth IRAs don't generate any upfront tax savings, but you can take federal-income-tax-free qualified withdrawals after age 59½. There are also income limits on Roth contributions.

Higher-income individuals can make extra nondeductible traditional IRA contributions and benefit from the tax-deferred earnings advantage.

Employer plan contribution amounts

For 2025, you can contribute up to $23,500 to an employer 401(k), 403(b) or 457 retirement plan. If you're 50 or older and your plan allows it, you can contribute up to an additional $7,500 in 2025. Check with your human resources department to see how to sign up for extra contributions.

Contributions are subtracted from your taxable wages, so you effectively get a federal income tax deduction. You can use the tax savings to help pay for part of your extra catch-up contribution, or you can set the tax savings aside in a taxable retirement savings account to further increase your retirement wealth.

Examples of how catch-up contributions grow

How much can you accumulate? To see how powerful catch-up contributions can be, let's run a few scenarios.

Example 1: Let's say you're age 50 and you contribute an extra $1,000 catch-up contribution to your IRA this year and then do the same for the following 15 years. Here's how much extra you could have in your IRA by age 65 (rounded to the nearest $1,000):

- 4% annual return: $22,000
- 8% annual return: $30,000

Keep in mind that making larger deductible contributions to a traditional IRA can also lower your tax bill. Making additional contributions to a Roth IRA won't, but they'll allow you to take more tax-free withdrawals later in life.

Example 2: Assume you'll turn age 50 next year. You contribute an extra $7,500 to your company plan in 2026. Then, you do the same for the next 15 years. Here's how much more you could have in your 401(k), 403(b), or 457 plan account (rounded to the nearest $1,000):

- 4% annual return: $164,000
- 8% annual return: $227,000

Again, making larger contributions can also lower your tax bill.

Example 3: Finally, let's say you'll turn age 50 next year and you're eligible to contribute an extra $1,000 to your IRA for 2026, plus you make an extra $7,500 contribution to your company plan. Then, you do the same for the next 15 years. Here's how much extra you could have in the two accounts combined (rounded to the nearest $1,000):

- 4% annual return: $186,000
- 8% annual return: $258,000

The amounts add up quickly

As you can see, catch-up contributions are one of the simplest ways to boost your retirement wealth. If your spouse is eligible too, the impact can be even greater. Contact us if you have questions or want to see how this strategy fits into your retirement savings plan.