

The Power of Catch-Ups

Once you turn age 50, the government encourages you to save even more by allowing additional “catch-up” contributions to retirement plans.

In 2011, investors age 50 or older may contribute up to an extra \$1,000 to IRAs and \$5,500 to 403(b) plans, for a total of \$6,000 and \$22,000, respectively. Consider two hypothetical 50-year-old investors, Bob and Ted, each of whom holds \$50,000 in a 403(b) account. Each contributes the maximum \$16,500 to his 403(b) every year until he turns 65—but Bob also makes \$5,500 in annual catch-up contributions. After 15 years Bob accumulates more than \$800,000, while Ted has just over \$640,000—a difference of nearly \$160,000.¹ Bob is well-positioned for an even more rewarding retirement.

¹Assumes current annual contribution limits (\$16,500 plus \$5,500 catch-up) and 8 percent annualized return. This does not take into account market volatility or taxes and is not meant to project the performance of any investment product. Fees and charges are not included in the hypotheticals and, if they had been, would reduce the amounts shown.

CustomSolutions
FROM SMARTMONEY