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Catch-up Contribution Limits for Retirement

If baby boomers haven't saved enough for retirement, catch-up contribution limits for 401(k) plans may help them to increase their contributions as they move closer to retirement.

The rules are simple. If a participant is age 50 or older in a given year, he or she may make an additional \$5,500 pre-tax contribution to their 401(k) plan. This contribution must be made through payroll deduction. Personal checks cannot be accepted. The catch-up contribution is over and above:

- The pre-tax deferral limit for the year (\$16,500 for 2010)
- Any limits imposed on highly compensated employees by the Contribution Nondiscrimination Test (CNT)
- The limits on how much can be allocated to a participant's account annually

Highly compensated employees over age 50 should be aware that the IRS allows the first \$5,500 (in 2010) of any excess 401(k) contributions to be classified as catch-up contributions. They can contribute the allowable catch-up contribution maximum (\$5,500 in 2010) over the highly compensated employee limit without worrying about a refund.

Your **401k maximum contribution limit** — the combined total maximum contribution that you can make each year to ALL 401k plans in which you participate, including standard 401k plans and Roth 401k plans — is the lower of: (1) the maximum percentage contribution limit allowed under each of your employers' plans, or (2) the dollar limits shown in the table below. For example, if your employer's 401k plan allows you to contribute up to a maximum of 10% of your salary, and you earn \$50,000, your maximum contribution limit is \$5,000, not the \$16,500 contribution limit in 2010 that applies only to higher-paid employees

The matching contributions made by your employer are NOT counted toward your 401k contribution limits. Even if you contribute the maximum amount each year, your employer's matching contributions are in addition to these 401k limits.

Year	401K, 403B, Thrift and IRA Contribution Limits	Catch-up Contribution Limit (age > 50)
2011	Indexed to Inflation (TBA Oct 2011)	Indexed to Inflation (TBA Oct 2011)
2010	\$16,500	\$5,500