# MAKE THE MOST OF YOUR RETIREMENT PLAN CONTRIBUTIONS

As the new year kicks off, it may be a good time to consider creating a strategy for maximizing retirement plan contributions. The IRS has upped the amount you can contribute to employer-sponsored plans and IRAs and has increased the amount of catch-up contributions for individuals over age 50.

## Front-loading a 401(k)

As you think about your strategy, you may wonder whether it makes sense to front-load your retirement plan contributions. The main advantage is that, over the long-term, your money has the potential to grow in a tax-advantaged account longer, and you get the benefit of compounding interest over time. While most of us take a long-term view of investing, the fact is that it can be greater advantage to front-load during a period when the market rises, versus, for example, if you had done it in 2008-2009 during The Great Recession when the market fell over the course of the year.[1]

## Company Match Considerations

One of the downsides of front-loading an employer-sponsored 401(k) is that you could forfeit some money in matching employer contributions. For example, if you max out your 401(k), meeting the $19,500 contribution limit early in 2020, your employer matching amount could end when your contributions end, if that is what your employer plan stipulates. So it may make sense to make monthly contributions throughout the year so you can maintain that monthly employer match.[1]

## Maximizing Plan Contributions

No matter what approach you take, it is important to maximize both your employer match and aim to maximize your 401(k) allowable limit of $19,500 and a maximum of $6,000 to an IRA in 2020.

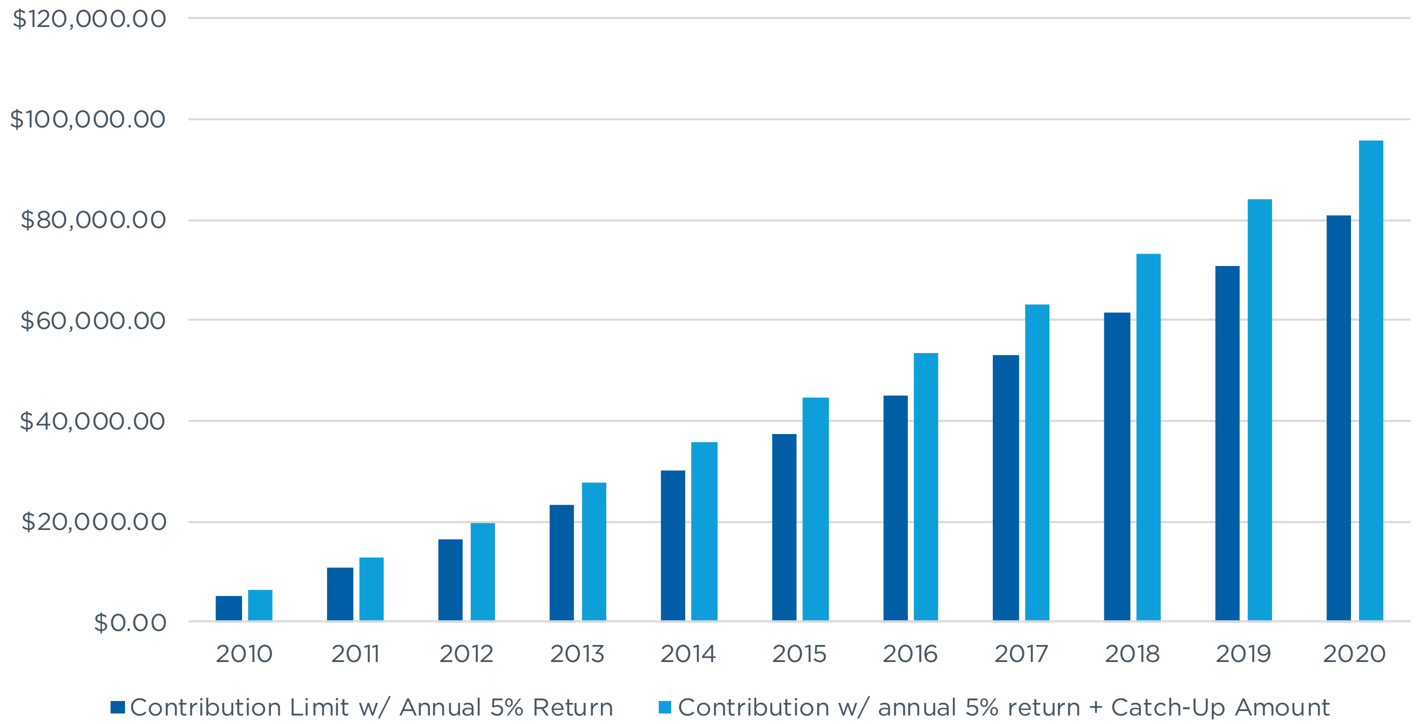
An easy way to do that with an employer plan is to set an annual automatic increase of a percentage equal to the percentage raise you receive. If your compensation increases by 5 percent, for example, then increase your retirement contributions by 5 percent, keeping an eye on when you would reach the maximum of $19,500. Once you max out your 401(k), you can make after-tax contributions to an IRA and let those contributions grow tax-free to continue to build your retirement savings.

## Catch-up Contributions

If you're over age 50, you can contribute even more in 2020—$6,500 in "catch-up contributions" to a 401(k) and certain other retirement plans and an additional $1,000 in catch-up contributions to an IRA.

You must make catch-up contributions to a retirement plan via elective deferrals before the end of the plan year, per the IRS. In the example below, if you took advantage of catch-up contributions over a 10-year period, you could have 18 percent more in retirement savings.

## Growth of Catch-up Contributions Over 10 Years*




*For illustrative purposes only.

### The Bottom Line

According to the IRS, you can contribute a maximum of $57,000 per year across all employer plans, including your contributions plus any employer contributions. If you're eligible for catch-up contributions, that amount increases to $63,500. Plans may include, for example, a 401(k), 403(b) plans, or profit sharing plans.[2]

### Consider Partnering With Your Advisor

For help creating a strategy for when and how to maximize your retirement plan contributions, reach out to your wealth advisor at Mariner Wealth Advisors. We're here to help you navigate retirement savings and other financial challenges so you may have the retirement that you envision for yourself and your family.

[1] "Should You Max Out Your 401(k) Early in the Year?" DoughRoller.net. https://bit.ly/2MICN4J
[2] "Retirement Topics: 401(k) and Profit Sharing Plan Contribution Limits," irs.gov. https://bit.ly/2tc8lUj





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