

Why you should contribute more to your 401(k) in 2015

Contributing to a traditional employer-sponsored defined contribution plan, such as a 401(k), 403(b) or 457 plan, offers many benefits:

- Contributions are pretax, reducing your modified adjusted gross income (MAGI), which can also help you reduce or avoid exposure to the 3.8% net investment income tax.
- Plan assets can grow tax-deferred — meaning you pay no income tax until you take distributions.
- Your employer may match some or all of your contributions pretax.

For 2015, you can contribute up to \$18,000. If your current contribution rate will leave you short of the limit, consider increasing your contribution rate through the end of the year. Because of tax-deferred compounding, boosting contributions sooner rather than later can have a significant impact on the size of your nest egg at retirement.

If you'll be age 50 or older by December 31, you can also make "catch-up" contributions (up to \$6,000 for 2015). So if you didn't contribute much when you were younger, this may allow you to partially make up for lost time. Even if you did make significant contributions before age 50, catch-up contributions can still be beneficial, allowing you to further leverage the power of tax-deferred compounding.

Have questions about how much to contribute? Contact us. We'd be pleased to discuss the tax and retirement-saving considerations with you.