

Did You Lose a 401(k)? New Resource Will Help You Find It

My regular readers know that I think of everyone I meet as a "retiree" or a "future retiree," no matter their age. And yes, in case you're wondering, I don't exclude 5- and 10-year-olds from the future retiree definition. Even they will want to retire someday.

Given that perspective, I always like to share ideas that may be missed when trying to maximize retirement savings -- and right now, the mailbox is full of tax reports for 2024 taxes. This is the perfect time to think about a 2025 action plan to boost retirement savings.

You can contribute to both a company 401(k) and an IRA (individual retirement account) at the same time. The IRS website page for IRA FAQs, in answer to the question "Can I contribute to a traditional or Roth IRA if I'm covered by a retirement plan at work?" states: "Yes, you can contribute to a traditional and/or Roth IRA even if you participate in an employer-sponsored retirement plan (including a SEP or SIMPLE IRA plan)" ([tinyurl.com/2hfmwt2m](https://www.irs.gov/retirement-plans/401k-ira/401k-ira-faq)).

Contribution limits are not reduced to a Roth or traditional IRA based on 401(k) participation. High earners will want to maximize their traditional IRAs, since they may not be eligible to contribute to a Roth due to income limits -- let's come back to those limits shortly. Importantly, limits are not reduced for traditional IRAs for anyone, even if they are participating in a company plan, such as a 401(k). They are reduced, however, for Roth IRAs (not traditional IRAs) based on earnings (not 401(k) participation).

The maximum amount someone can contribute to an IRA in 2025 is \$7,000; it's \$8,000 for those age 50 and up. The extra \$1,000 for those age 50 and older is called a "catch-up" contribution.

Again, while there are no income caps on contributions to traditional tax-deferred IRAs, there are limits on Roth IRAs. Roth IRAs have phaseouts due to income caps.

The most someone can contribute to a Roth IRA depends on modified adjusted gross income (MAGI). A single filer under 50 can contribute up to the limit for a Roth IRA (\$7,000) if the person's MAGI is less than \$150,000 in 2025. If the MAGI is higher, but less than \$165,000, the person can still contribute, but the amount is reduced.

When MAGI is \$165,000 and above, no Roth IRA contribution is permissible. However, there is no comparable MAGI limit for traditional IRAs. That is, someone who cannot contribute to a Roth IRA due to earnings limits can contribute to a traditional IRA. Further, there is no MAGI limit on who can convert from a traditional IRA to a Roth IRA. If you decide to contribute to a traditional IRA and convert to a Roth IRA, be sure to review your plan with your tax adviser before taking action.

The maximum amount that a person can contribute to a company plan is \$23,500 in 2025. Someone who is 50 or older can kick in an additional \$7,500 as a "catch up" contribution. And, starting this year, if you turn 60, 61, 62 or 63 in 2025, your catch-up contribution is \$11,250 instead of \$7,500. That means your total employee contribution maxes out at \$34,750.

When someone turns 64, the limit returns to the regular catch-up contribution (currently \$7,500). A yearly cost-of-living adjustment to the catch-up limit will take effect after 2025. There is no reduction in 401(k) contribution limits based on whether someone contributes to a traditional or Roth IRA.

The IRS has a Roth Comparison Chart ([tinyurl.com/bdf9jsr5](https://www.irs.gov/retirement-plans/401k-ira/401k-ira-faq)) that breaks down the differences between a Roth IRA, a designated Roth 401(k) and a pre-tax 401(k). IRS Publication 590-A covers contributing to an IRA ([tinyurl.com/sacam2tx](https://www.irs.gov/retirement-plans/401k-ira/401k-ira-faq)).

Here is an important reminder:

Again, be sure to consult with a tax adviser about the approach you should take given your situation, as taxes are unique to the individual. What better time than January to get going with additional contributions to retirement plans?

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