Important Birthdays Over 50

Happy Birthday! The Big "Five-O."

Now the real fun begins! Before you begin planning your retirement, be sure to mark these important dates in your calendar.

Starting at age 50, several birthdays – including "half-birthdays" – are critical to strategize for as they have crucial implications for your retirement future.

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Age 50

At age 50, workers with certain qualified retirement plans can make annual "catch-up" contributions in addition to their normal contributions. In 2024, you can contribute up to $7,000 to an IRA if you are under 50 and $8,000 if you are 50 or older. You can contribute a total of $23,000 to your 401(k), 403(b), Thrift Savings Plan, and 457(b) in 2024, or a total of $30,500 for those over 50.[1] Those who participate in a SIMPLE 401(k) or SIMPLE IRA can contribute $16,000 in 2024, and if you are over 50 with that type of account, you can contribute $19,500.[2]

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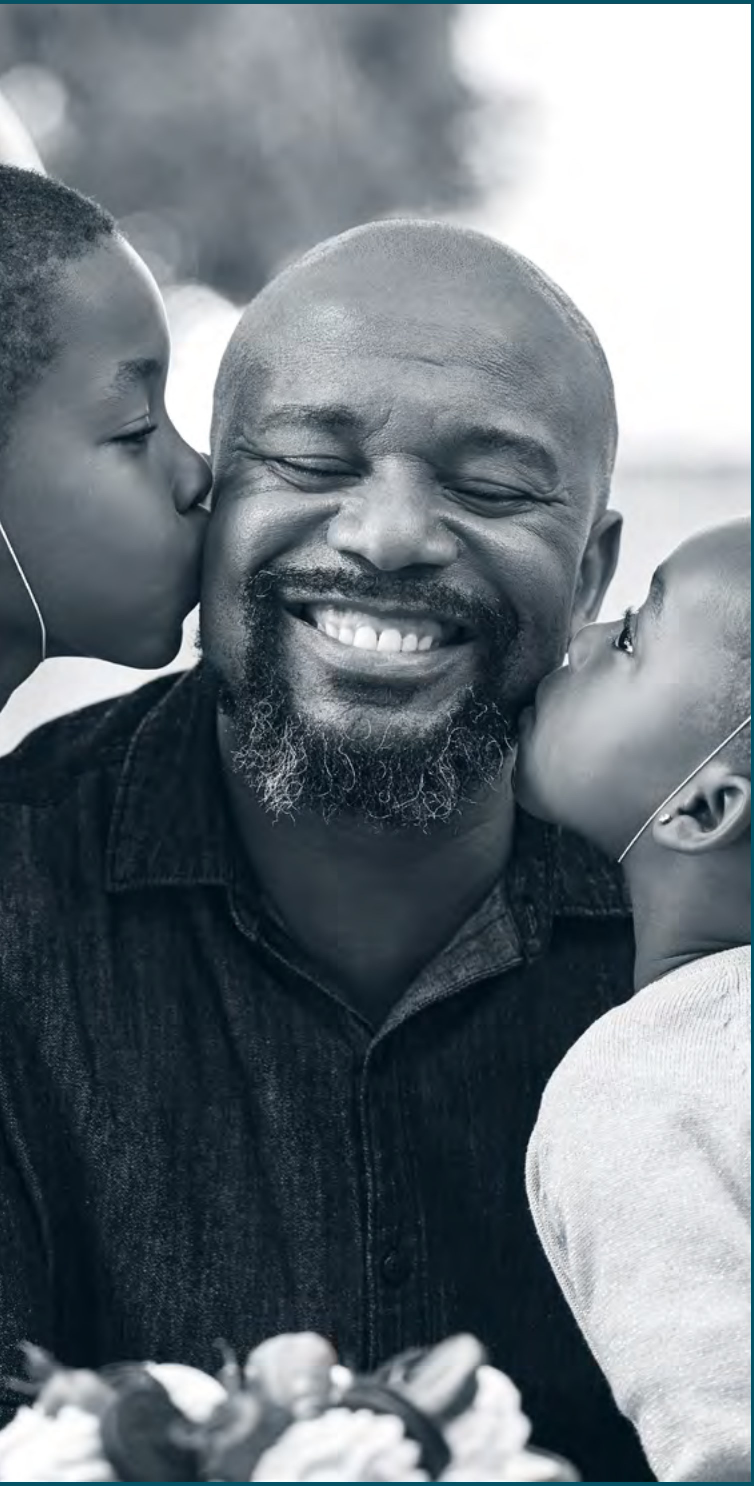

Age 55

Many people aren't aware that they might be able to withdraw from their 401(k) or 403(b) account starting at age 55. If you leave your job for any reason in or after the year you turn age 55, you can withdraw from the retirement plan at the job you left penalty-free. Note that this doesn't apply to 401(k)s or 403(b)s you have with previous employers and that this rule is only true for 401(k) and 403(b) employer-sponsored retirement accounts.[3]

Age 59 ½

Once you reach 59 ½, you can withdraw from your IRA, 401(k), and most other retirement accounts without incurring the 10% penalty. You can access your funds at this age regardless of your retirement status and pay no early withdrawal penalty fee.[4]

However, the ease at which you can access funds may be dependent on your 401(k) administrator's rules. Check with your 401(k) administrator to see if your plan allows what is called an "in-service" distribution at age 59 ½. Some 401(k) plans allow this, and others do not.[5]

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Age 62

The earliest you can claim Social Security benefits is age 62. However, claiming benefits before your full retirement age will result in a permanently smaller benefit. If you want to claim past your full retirement age, your benefit will increase by as much as 8% per each year you defer until age 70.[6]

If you're planning on working while receiving Social Security, keep in mind that your benefit can be reduced. Social Security beneficiaries under their full retirement age who earn more than $22,320 in 2024 will have $1 withheld for every $2 they earn above this limit. This earnings limit jumps to $59,520 for the year recipients reach their full retirement age, at which the penalty decreases to $1 withheld for every $3 earned above the limit. After beneficiaries reach their full retirement age, no benefits are withheld if they continue working.[7]

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Age 65

Whether you're new to Medicare, getting ready to turn 65, or preparing to retire, you'll need to make several important decisions about your health coverage. If you wait to enroll, you may have to pay a penalty, and you may have a gap in coverage. The first time you can enroll is called your Initial Enrollment Period. If you're eligible for Medicare when you turn 65, you can sign up during the 7-month period that:

Begins 3 months before the month you turn 65

Includes the month you turn 65

Ends 3 months after the month you turn 65

You can enroll in Part A (hospital insurance) when you turn 65, even if you still have health insurance through an employer. Keep in mind that since most people paid Medicare taxes while they worked, they won't have to pay a monthly premium for Part A. If you are already receiving Social Security benefits, you will automatically be enrolled in Medicare Part A and Part B. You can decline Part B (medical insurance) coverage because it requires an additional premium payment, but if you aren't covered by an employer's health plan and decide to enroll later, you may have to pay a penalty for as long as you're enrolled.[8]

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Age 65-67

Between ages 65 and 67, individuals become eligible to receive 100% of their Social Security benefit, depending on when they were born.[9] In 2024, recipients got an 3.2% Cost of Living Adjustment (COLA) to their Social Security benefits.[10] Thanks to this increase, the maximum benefit for retirees claiming at the age of 67 in 2023 increases to $3,911 per month.[11]

Although not everyone may earn the maximum benefit amount for the age at which they claim, everyone can strategize to maximize their benefit. You can start by reviewing your benefit statements regularly to make sure you are getting credit for the taxes you're paying into the system. Reviewing your statements will also make it easier to decide when to claim by showing you what you are owed.

Note that only Americans 60 and over who have not claimed their benefits and did not set up an online account will still receive a statement by mail. To make an online account, either look for a letter with an activation code or go to the Social Security Administration's website.

Fast Fact:
If you change your mind about receiving Social Security benefits, you may be able to withdraw your claim if it has been less than 12 months since you were first entitled to benefits.[12]

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Age 73

As of 2022, the SECURE Act 2.0 changed the age at which Required Minimum Distributions begin from 72 to 73 in 2023 and to 75 after 2032. RMDs apply to qualified retirement plans such as 401(k)s, 403(b)s, Profit Sharing plans, Money Purchase Pensions, IRAs, Simple IRAs, and SEP IRAs. So, many retirees now have more time to let their retirement savings grow tax-free.[13]

RMDs are the minimum you are required to withdraw each year, and you can always withdraw more than that amount. However, some retirees would prefer to withdraw less than they are required to. Withdrawing more from a traditional retirement account could mean a higher tax burden and an end to tax-free growth for the withdrawn funds.[14]

If you forget to take an RMD, it's going to cost you. After the SECURE Act 2.0, there is a 25% penalty based on the RMD you were supposed to take. RMDs are based on the total balance of all your IRAs, 401(k)s, and other traditional retirement plans as of December 31st of the previous year. You can ask your financial advisor to make sure you are in compliance and develop a long-term tax minimization plan.[13]

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Be Prepared For Your Important Birthdays

If you have questions about how to make sure your retirement timeline incorporates these important, pivotal dates for your financial situation, contact us at VestGen Wealth Partners at **(847) 907-9600** or visit us at **GetRetiredStayRetired.com.**

Understanding key birthdays may help you better prepare for certain retirement income and benefits. But perhaps more importantly, knowing key birthdays can help you avoid penalties that may be imposed if you miss the date.

Sources

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