# Why 59 ½ Is An Important Age

## Why is your 59 ½ birthday important? After all, you probably haven't celebrated a half-birthday since you could count your age on one hand! Well, when you find out the financial opportunities that become available to you at 59½, you'll want to break out the party hats and birthday cake again!

At 59 ½, you can withdraw from your retirement accounts without incurring a penalty. In other words, you can finally take advantage of all that hard-earned money you've put away during your working years. However, with this great opportunity comes a great risk in terms of how you manage your finances throughout your retirement. [1]

And in addition to funding your Social Security throughout your working years, you've also been funding your own retirement accounts. So how do you know if you have enough saved? If you're behind on savings for retirement, there's hope. The IRS allows those 50 and older special allowances, such as increased contribution limits, to help with saving for retirement.[2]

Keep reading to learn about your retirement options and how you can successfully transition into retirement after this crucial age.





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## You Can Continue to Save after 59 ½![3]

If you're approaching this age, you're still in your pre-retirement years and won't even be eligible for Social Security payments for a few more. So, this means that while you may not retire immediately upon turning 59 ½, it could be a great time to optimize your retirement strategy so you can successfully and securely enter your golden years.

For people who have a retirement account outside of their employer, annual contribution limits have increased for both traditional IRAs and Roth IRAs. In 2024, eligible individuals can contribute up to $7,000 to their IRAs or $8,000 after age 50.

Roth IRAs have income limits, so individuals making above a certain income threshold are eligible for reduced contributions. Individuals who make above the upper range of that threshold are not eligible at all. In 2024, the income phase-out range for single filers is $161,000. For married couples filing jointly, it's $240,000.

For 2024, the annual contribution limit for employer-sponsored retirement accounts, including 401(k)s, 403(b)s, most 457 plans, and Thrift Savings Plans, is $23,000. The IRS also increased the total contribution limit for those over 50—known as the catch-up contribution limit—for those accounts in 2024 to $30,500.

## Do You Know How Much You're Paying in Fees?

When organizing your financial picture at this age, it's a great time to examine what you're paying in fees for the accounts you hold. Do you know how much you're paying in 401(k) fees, for instance? Or that you're charged fees in the first place? While cheaper isn't always better, it's important to understand how fees can affect your retirement portfolios and investment situation. There are plenty of ways to adjust your retirement account strategy, and when you turn 59 ½, your options to withdraw and reinvest funds in an account that has a preferable fee structure or lower rate may open up.[4]

**Example: A 1.5% fee might not seem like much, but over the course of your career, it can add up. Compare two 45-year-old employees with 20 years to go until they retire and $20,000 each in a 401(k). Assuming a 7% investment return, the employee paying 0.5% in 401(k) fees would have $70,500, and the employee paying 1.5% would have $58,000. That's 17% less! When examining your retirement accounts, think about how much fees could be costing you.**





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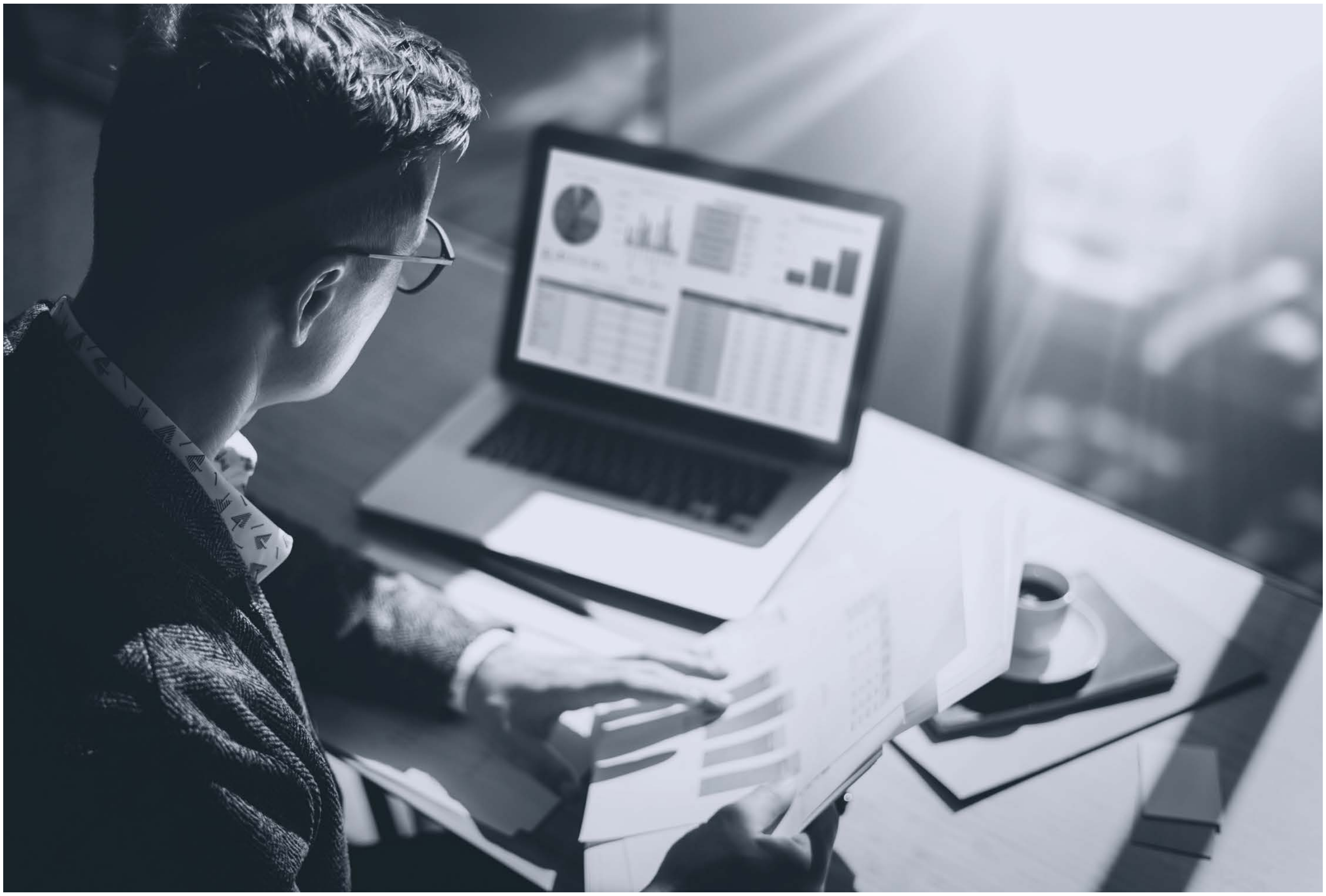

## You May Have More Investment Options Through an IRA

If you want to transfer from a high-fee 401(k) into a lower-fee IRA, 59½ is a great time to do so because you can withdraw penalty-free. IRAs tend to have a broader array of investment options and lower administrative fees than 401(k)s. With an IRA, you may be able to invest according to your terms, given that you can take your pick of plan providers.

So, by consolidating your retirement savings into an IRA, you can gain more flexibility in your investment choices, allowing you to create a retirement plan customized to fit your unique needs. This is important because access to more types of investments could mean more options for mitigating investment risk as you near and enter retirement. If you think having control over your retirement savings is important, consider this: For example, if you happen to have a 401(k) plan that limits the number of times per year you can rebalance your portfolio, you might be able to find an IRA provider that allows you to buy and sell your holdings whenever you want.[5]





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## You May Be Able to Simplify Your Finances

Rolling over your old 401(k) may help you simplify your finances. Instead of keeping track of multiple former workplace retirement accounts, you can roll over your old plan or plans into one IRA and review a single account statement. Also note that if your company undergoes a significant change, such as filing for bankruptcy, access to your 401(k) could be temporarily frozen.

## You Have the Option to Convert to a Roth IRA

You have the option to convert funds from a traditional IRA, 401(k), or similar qualified retirement account into a Roth IRA. In this case, you would pay tax on the funds converted in the current tax year and then be able to withdraw them tax-free later on. If you think you'll be in a lower tax bracket in the year you leave your job, you might consider a Roth conversion while your tax burden is lower.
Be mindful that unless certain criteria are met, Roth IRA owners must be 59 ½ or older and have held the Roth IRA for five years before tax-free withdrawals are permitted. Please consult a tax advisor before deciding to make a conversion given the complexity of the procedure and tax implications.[6]





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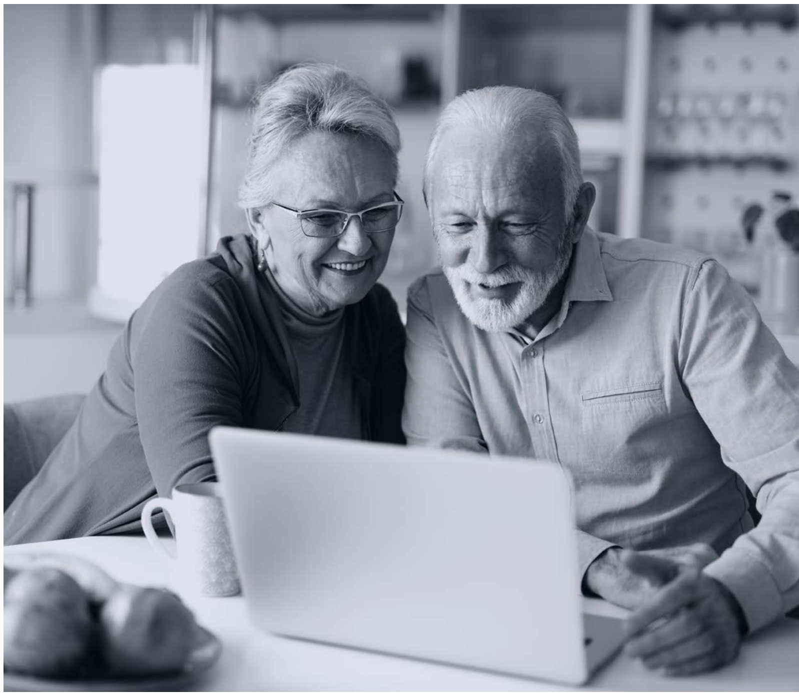
## You're Near the Social Security Finish Line

When you turn 59 ½, you're close enough to being eligible to receive Social Security benefits that you should start strategizing for it if you haven't already. You can start receiving benefits at age 62, but your benefit will be less than if you waited to claim at your full retirement age or until age 70 (where you'd receive your maximum benefit). However, claiming earlier means more payments for a potentially longer period.[7]



**Claiming at 62 can be a good idea if:**

- You won't have other income sources in retirement.
- You're worried about your health and need to cover the costs of healthcare.
- Your spouse's benefit is going to be larger than yours.
- Your total expected benefit would be greater if you started receiving payments at 62.
- You don't expect your earned income to affect your Social Security benefits due to the withholding limits.[8]

**Claiming at Full Retirement Age**

You will receive 100% of your benefit if you wait until your full retirement age, which is between 65 and 67, depending on when you were born. If you wait until after your full retirement age to start receiving benefits, your benefit will increase incrementally for each year you delay until age 70.[9] If you wait until 70 to start receiving your benefit, you could receive roughly 76% more than if you claimed at 62.[10]

**Claiming at 70 can be a good idea if:**

- You have other retirement income sources and it's a good time to utilize them.
- You can realistically work, earning income for longer.
- You or your spouse plans on working until you're 70.
- Your spouse is young or will have a smaller benefit: Your spouse will get the larger Social Security amount after you pass away.
- You expect to live longer than the average American.[10]





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## The Good News

There's no doubt that our culture is obsessed with youth and often overlooks the benefits of aging. You may not have looked forward to getting older when you were younger, but now that you're nearing retirement you may have gained a different perspective. The fact is, many studies have found that happiness does increase with age. [11] There could be many reasons for these findings, from financial stability to an active social life. However, if you plan to find happiness in retirement, remember that aging is associated with an increased sense of well-being from a financial and emotional standpoint.

## More Wisdom

Many say that people gain wisdom as they age. Part of being wise is understanding what makes you happy and orienting your life around those things. You've been through good times and bad times but you know that both are temporary. You also know that money can't buy happiness, but it can enhance your retirement and financial security. You've done your job by working to build a nest egg. Now, it's time to make sure your finances are prepared to carry you through retirement. Contact the professionals at VestGen Wealth Partners at **vestgen.com** or **(833) 964-7526** for a complimentary review of your financial situation.





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