

Catch-up Contributions

What are catch-up contributions?

Catch-up contributions are salary deferrals (also referred to as “elective deferrals”) that employees age 50 or older can make in addition to their regular retirement plan contributions. Like regular elective deferrals, catch-up contributions can be pre-tax elective deferrals or designated Roth contributions, as chosen by the employee.

Elective deferrals are counted for both the regular annual deferral limit and the catch-up contribution limit on the basis of the calendar year. A deferral is counted for a calendar year only if the wages subject to the deferral election would otherwise have been paid or made available to the employee during the year. For example, you can’t make catch-up contributions for 2021 with 2020 wages.

A plan will not treat salary deferrals as catch-up contributions until they exceed the least of the following limits:

- Any statutory limit, such as the annual limit on regular elective deferrals (for example, \$20,500 in 2022 for non-SIMPLE plans)
- The plan’s actual deferral percentage (ADP) test limit, if applicable
- The plan-imposed limit on elective deferrals, if any

What is the limit for catch-up contributions?

The maximum amount of additional elective deferrals that you can contribute is equal to the smaller of the following amounts:

- The catch-up contribution dollar limit applicable to your plan, as described below
- Your annual compensation minus your salary deferrals that are not catch-up contributions

Following are the catch-up contribution dollar limits:

- 401(k) (not SIMPLE), 403(b), governmental 457(b) and SARSEP plans: \$6,500 in 2022.
- SIMPLE plans: \$3,000 in 2022.

Who is eligible?

An employee who is eligible to make salary deferrals under a 401(k), SIMPLE IRA, 403(b), SARSEP or a governmental 457(b) plan may be able to make additional salary deferrals up to the catch-up contribution limit every year provided that:

- The plan allows catch-up contributions
- The employee is age 50 or older at any time during the calendar year
- The employee makes a valid salary deferral election that includes the amount of the catch-up contributions before the end of the calendar year

If an employee can make salary deferrals under plans of unrelated employers, he or she can contribute a total of the annual deferral limit plus the amount of the catch-up contribution limit even if none of the plans allow catch-up contributions. However, the employee cannot exceed the annual deferral limit in any one plan. An example of this situation is an employee, aged 50, who participates in both a 401(k) plan and a 403(b) plan of unrelated employers. Both plans allow employees to contribute the annual maximum salary deferral limit (\$20,500 for 2022) but neither plan allows catch-up contributions (\$6,500 for 2022). The employee could elect to contribute a combined total of \$27,000 (\$20,500 plus \$6,500 catch-up contributions) via salary deferrals to the plans. However, because neither plan allows catch-up contributions, the employee cannot contribute more than \$20,500 to either plan.

What other rules apply to catch-up contributions?

Catch-up contributions are not subject to the annual limit on regular elective deferrals, the ADP test limit or the limit on annual additions to a retirement plan.

Employers sometimes design their retirement plans so that matching contributions are made on catch-up contributions, but this is not required. If catch-up contributions are matched, the matching contributions are subject to all the normally applicable rules, such as the actual contribution percentage (ACP) test.

Can catch-up contributions be made to IRAs?

Regardless of whether you make salary deferrals to your employer-sponsored plan, you may be able to make catch-up contributions to your IRA. You are allowed to make IRA contributions for a year up until the due date of your tax return for that year (not including extensions), which for most people is April 15. The combined IRA contribution limit for is \$6,000 for 2022. You may also make catch-up IRA contributions for a year if you are age 50 or older before the end of that year. The combined catch-up IRA contribution limit is \$1,000 for 2022. However, you may not be able to deduct all or some of your traditional IRA contributions, including catch-up IRA contributions, depending upon the amount of your income, your filing status and if you or your spouse is covered by an employer-sponsored retirement plan. You must also meet certain eligibility requirements to make contributions (including catch-up IRA contributions) to a Roth IRA.

We're here to help! [Contact Sentinel Benefits & Financial Group](#) for the guidance you need.

This article is not intended to be exhaustive nor should any discussion be construed as legal or financial advice.
