Boost Your 401(k) Before the Ball Drops: Easy Year-End Tips for Maximizing Your Savings!

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As the year draws to a close, it's an opportune time to focus on maximizing your 401(k) contributions to enhance your retirement savings. One of the first steps is increasing your contributions. If you haven't yet reached the IRS contribution limit of $23,000.00 for 2024, boosting your contribution rate can be an effective way to take full advantage of tax savings. Contributions to traditional 401(k) plans are made pre-tax, which reduces your taxable income, potentially lowering your overall tax bill for the year. By contributing more before the year-end, you can also benefit from compound growth over time, improving your financial future.

Another important factor to review is your company's matching policy. Many employers match a portion of your contributions, which is essentially free money added to your retirement savings. Ensuring you're contributing enough to capture the full employer match is critical; otherwise, you're leaving potential retirement funds on the table. If you're behind on your retirement savings, consider taking advantage of catch-up contributions. Individuals aged 50 or older can contribute an extra $7,500 beyond the annual limit. This provision allows those approaching retirement to accelerate their savings, making it a powerful tool for those trying to close the gap in their retirement goals.

In addition to increasing contributions, it's also essential to review your investment strategy within your 401(k). As the market fluctuates, especially during the final quarter of the year, it's important to ensure your asset allocation is still aligned with your risk tolerance and long-term goals. This may involve rebalancing your portfolio to maintain your desired mix of stocks, bonds, and other assets. Diversifying your investments can help reduce risk from market volatility. Lastly, it may be beneficial to consult a financial advisor for guidance in better positioning your 401(k) strategy and making sure you're set up for continued growth into the next year. By taking these steps before the year ends, you can better position yourself for retirement.

The next article will focus on self employed individuals and what you can do to save for retirement.

non-diversified portfolio. Diversification does not protect against market risk. (26-LPL)